MARCH 1956

The Controller

INTEGRATION OF DATA-PROCESSING REQUIREMENTS AND THE DESIGN OF ELECTRONIC EQUIPMENT

Paul Kircher

PRICING WITH DIRECT COSTS

W. R. Wright

THE PRESIDENT LOOKS AT THE CONTROLLERSHIP FUNCTION

Herbert P. Buetow and L. A. Miller

Western Controllers Conference

PHOENIX ARIZONA APRIL 26-28

60c | $8.00 A Year

Dr. Frank P. Smith
Bureau of Business Research
School of Business
University of Michigan
Ann Arbor, Mich.

WILLIAM B. ALLEN,
Director of Sales Training,
KENDALL MILLS, Walpole, Mass.
Division of The Kendall Company

Kendall Mills salesmen write their own expense drafts

"Our salesmen and management are happy with the ***Traveletter*** System of receiving expense money. It is convenient for them, is easily cashed, and is speedy. It also provides a good control over their expenses. The number of men in this division using it varies between 50 and 60 at a time. We have been using the ***Traveletter*** System since 1945.

"I thought you might like to know how high our regard is for your organization, and how pleased we are with your system."

The ***Traveletter*** System reduces cash advances, saves accounting time, prevents lost time and lost orders, builds morale of salesmen.

Used by companies employing from 1 to 1,000 travelers, including United Aircraft Corporation, American Cyanamid Co., Western Electric Co., and many others.

Traveletter

. . . the better system for handling travel expenses.

Descriptive Brochure on Request

TRAVELETTER CORPORATION • GREENWICH 2, CONNECTICUT

How IAS *training meets individual needs*

Each IAS training program is "tailored to fit" the needs of the individual. This is accomplished through the IAS elective plan embracing 250 comprehensive study assignments, covering a wide range of accounting and management subjects.

• After general accounting principles have been mastered, each IAS Diploma Course student selects from 14 electives those leading to his specific training objective. The electives currently available (with the number of comprehensive study assignments indicated) are:

Basic Auditing (10)
Public Auditing (20)
Internal Auditing (20)
Basic Cost Accounting (10)
Advanced Cost Accounting (20)
Corporation Accounting (10)
Financial Analysis (10)
Business Statistics (10)
Management Control (20)
Economics (10)
Office Management (30)
Accounting Law (10)
Federal Income Tax (10)
CPA Coaching (20)

• With this broad curriculum at his command, each IAS student can study first those subjects needed immediately and can then broaden his knowledge of accounting and management through study of additional electives.

•

The school's 24-page catalogue is available free upon request. Address your card or letter to the Secretary, IAS . . . .

INTERNATIONAL ACCOUNTANTS SOCIETY, INC.

A Correspondence School Since 1903

209 WEST JACKSON BOULEVARD • CHICAGO 6, ILLINOIS

V.I.P.
THE
STURGIS
2200-G
with scuff-proof, noiseless, self-leveling fiber glass base
for all men in big jobs and big men in all jobs
Sturgis
POSTURE CHAIRS
THE STURGIS POSTURE CHAIR COMPANY
Sturgis, Michigan
See your Sturgis dealer or write for literature to General Sales Offices, 154 E. Erie St., Chicago 11, Illinois

American Appraisals speed up loss adjustment

The adjuster knows that figures in an American Appraisal report are fair to all concerned, because they are always based on detailed evidence and experienced judgment.

The AMERICAN APPRAISAL Company

leader in property valuation

HOME OFFICE: MILWAUKEE 1, WIS.

The Controller

PAUL HAASE, Editor

BENJAMIN R. MAKELA
Publication Manager

CEIL SMITH THAYER
Assistant Editor

JOHN A. MURPHY
Advertising Manager

Contents for March 1956

FEATURES Page

INTEGRATION OF DATA-PROCESSING REQUIREMENTS AND THE DESIGN OF ELECTRONIC EQUIPMENT—Paul Kircher . 107

PRICING WITH DIRECT COSTS—W. R. Wright 111

THE PRESIDENT LOOKS AT THE CONTROLLERSHIP FUNCTION—Herbert P. Buetow 116

—L. A. Miller 117

DEPARTMENTS

CORRESPONDENCE 100

SCANNING THE SCENE—Paul Haase 105

WASHINGTON NEWS—Benjamin R. Makela 118

PAGING THE NEW BOOKS 124

HANDBOOK FOR SECRETARIES TO ACCOUNTANTS, CONTROLLERS, TREASURERS
Reviewed by Mary Pena

DATES AHEAD 126

RESEARCH NOTES 140

PERSONAL NOTES 142

OPPORTUNITIES 144

Member, Magazine Publishers Association, Inc.

THE CONTROLLER. Published monthly by Controllers Institute of America, Inc. Publication office, 73 Main Street, Brattleboro, Vermont. Editorial office, Two Park Avenue, New York 16, N. Y.

Entered as second class matter at the post office, Brattleboro, Vt., September 1, 1937, under the act of March 3, 1879. Subscription $6.00 a year. 2 years $10.00. Single copy 60c. Address subscriptions (and notices of change in mailing address) to the Circulation Manager care of the New York office. Advertising rate card available upon request to the Advertising Manager.

Change of address should be sent before the first of month preceding the issue to be changed.

The editor will be pleased to review manuscripts submitted for publication, but will not be responsible for loss in transit or otherwise. The views expressed in the various articles are those of the authors and not necessarily those of the Controllers Institute of America. Printed in U. S. A.

VOLUME XXIV, No. 3

Copyright 1956 Controllers Institute of America, Inc.
MARCH 1956

Now! New Desk Top Copying Machine Gives You Direct Copies in Seconds!

Makes up to 300 Copies Per Hour at a Cost of Less Than 1¢ Each for Materials!
No Stencils! No Masters! No Negatives! No Messy Inks! No Vapors!

Eliminate Costly Labor, Delays, and Errors of Manual Copying in Accounting Operations!

It's here! The high-speed, all-purpose copying machine that turns out exact, black-on-white copies of anything typed, written, or printed on ordinary translucent paper—in seconds! Copies originals 11 inches wide by any length. Makes up to 300 copies of different letter size originals hourly. Is absolutely clean, quiet, and odorless. Can be operated by any of your personnel.

New Copyflex Model 100 will save you time and money in almost any type of accounting paperwork. Use it to set up fast, accurate one-writing systems for preparation of Operating Profit and Loss Statements, Operating Budget Performance Reports, Comparative Reports, Customer Statements, and Successive Periodic Reports of Financial Data. Mail coupon today!

BRUNING Copyflex

Copies anything typed, written, printed or drawn on ordinary translucent paper—in seconds.

Specialists in Copying Since 1897

Charles Bruning Company, Inc., Dept. 32-T
4700 Montrose Avenue, Chicago 41, Ill.

Please send me more information about the Bruning Copyflex Model 100.

Name_____ Title_____

Company_____

Address_____

City_____ County_____ State_____

CHARLES BRUNING COMPANY, INC., 4700 MONTROSE AVENUE, CHICAGO 41, ILLINOIS

In Canada: Charles Bruning Co., (Canada) Ltd., 105 Church Street, Toronto 1, Ontario

Correspondence

"FINANCIAL SPECIALIST IN MANAGEMENT"

Editors, THE CONTROLLER:

The attached article by W. F. Crawford, president of Edward Valves, Inc., Division, Rockwell Manufacturing Company, from the November 30, 1955 issue of the *Journal of Commerce,* while repeating a bit about the Rockwell system of reporting as given in Monro Corbin's "Operating Statements: Get Them While They're Hot"* published in THE CONTROLLER (November 1955 issue), has other points about a controller's role that should be of interest to your readers.

C.R.F.

** Mr. Corbin is controller of Rockwell Company, Pittsburgh, Pa.—The Editors*

CONTROLLER HOLDS KEY TO THE DESTINY OF HIS COMPANY

Certainly the first question asked on earth should have been: How much? If a controller had been on hand, he undoubtedly would have come up with an analysis which would have kept Adam and all mankind out of a heap of trouble. He could have told Adam the price of an apple can run pretty high. . . .

This yarn illuminates my feelings on the measure of responsibility with which financial specialists in business management are charged today. I can not overstate the importance of financial planning as a way for modern management to understand itself; to gain mastery of what it is working with; to make judgments of what it is going to do; and to avoid the temptation of trying to do too much or the wrong thing or the inappropriate thing.

Symbol of Planning

At Rockwell Manufacturing Co. we have come to regard the dollar sign as a symbol of planning. This symbol measures our growth. It rates our accomplishments. It can predict pitfalls far enough ahead for us to prevent them.

When properly applied, the dollar sign can be a sign of progress—not merely a cold unit of measure of frozen wealth. The dollar sign is a measurement of management performance, stated in terms universally applicable and easily understood.

I consider the financial specialist in management as a "controller," whether he is cost accountant, treasurer, auditor or carries the title itself. The modern financial manager in industry and business has the responsibility —or should have—of collecting and evaluating information and placing it in the hands of those who can use it to influence their action.

A good example comes to mind in the role of cost accountant. Costs are what we might term the "can do-can't do" element in management planning. Thus the controller literally issues the ticket that allows an enterprise to do business and plan ahead.

Communications Center

Ideally, then, the controller's office can be visualized as a creative communications center. It is the collection point of all kinds of information from all sources in the company. The controller and his staff sort the information. They classify it. They analyze it. Then comes their evaluation. And, finally, and of vital importance, they dispatch their findings either up or down the management ladder to the points where it can be used promptly and effectively.

So, cost accounting or other financial responsibilities figure as essentially and dynamically in the modern company picture as, say, product engineering, manufacturing management or salesmanship.

In view of this, it is clear that the controller, the financial specialist, can and should be one of the most broadly based, well-informed policy-creating men in management.

Decision-making Function

Ultimately, if the functions are well done, top executive management cannot fail to realize that the controller and his aides are contributing the decision-making mechanism.

In my 25 years' experience attending meetings on costs and financial planning, I am dismayed to conclude that more time was spent on trying to determine whether the cost data were right than in any other facet of the matter.

My recommendation is that cost accountants analyze their management contribution in terms of the economic fundamentals of the department or activity being analyzed.

Actually, a cost department can't create erroneous data—it can only gather the truths and also the errors and misconceptions of other departments. So the cost accountant must develop a technique of questions and checks to lead him to conclusions that permit proper decisions.

If the cost man sets as his daily goal the slow-but-sure accumulation of useful and factual fundamentals in his company, he eventually is bound to become a part of the decision-making group.

The successful controller is the one who progressively integrates himself into the operating or line organization, at least from the standpoint of contributing to the over-all management responsibilities of providing,

1. Effective means of control,
2. Qualified people for key positions, and
3. Farsighted planning and clear objectives.

In short, it's the controller's function to furnish the "why" and the "how"—as well as the "what" of the situation.

At Rockwell, we are rather proud of the system of reporting which has been developed. Our plan gives management a consolidated operating statement covering 22 operating units five days after the month ends. The simple principles of the plan may be of value:

1. A representative picture of a full month's shipments and expenses is desired for our internal use. A certain amount of

BLADES & MACAULAY

INSURANCE ADVISERS

★

Complete Surveys of
Corporate Insurance Affairs
No Insurance Sold

744 BROAD STREET **NEWARK 2, N. J.**

Established 1926

202 REVOLUTIONS IS A REVOLUTION

A machine that prints at 202 revolutions a minute deserves to have a few things said about it. The cosmic speed of this new Comptograph 202 is an operating asset that revolutionizes office work, in many cases.

Other features that are sensational give the product a generous head-start on all other 10-key machines. It adds, subtracts, multiplies, even divides, and lets the true credit or debit balance always show in the Visi-Balance window. It figures faster than you think, with a rhythmic purr that's gentle and quiet. The keyboard is compactly grouped, with operating keys in the space a hand can span without stretching or tiring.

These features have a grand total and it is this: time-saving speed and work-saving ease for improved efficiency and economy. If you would like a demonstration on your work, ask the Comptometer-Comptograph representative to stop in soon. You'll find him in the Yellow Pages or send the coupon.

COMPTOGRAPH®

FELT & TARRANT Mfg. Co.
1734 North Paulina St., Chicago 22, Illinois

Gentlemen: Without cost or obligation—

- ☐ I want more information about the new Comptograph
- ☐ Please arrange an office demonstration
- ☐ Please arrange a free office trial

Name_____

Company_____

Street Address_____

City_____ Zone____ State_____

Other products: The COMPTOMETER® ADDING-CALCULATING MACHINE and the COMPTOMETER® DICTATION MACHINE. Offices in principal cities and throughout the world.

Forthcoming Features

IN THE CONTROLLER

★ **HOW A CORPORATION RAISES CAPITAL**
A report of a study made by the Finance Management Committee of the New York City Control of Controllers Institute

★ **COST AND CONTROLS FOR RESEARCH**
by Edward J. Gesick

★ **ELECTRONIC DATA PROCESSING AND THE CONTROLLER**
by Richard G. Canning

★ **STREAMLINED INVENTORY CONTROL AND STABILIZED PRODUCTION PLANNING**
by Herbert J. Richmond

preciseness is sacrificed in the interest of speed. We do not always take into account the last penny, because the absolute final figure does not alter the value of the report.

2. Deadlines are set for the development and receipt of all principal data.

3. Recording of some factors is started before the end of the month and an arbitrary "fiscal month" is set up for shipments. For purposes of this fiscal month, the calendar month is set back not more than four days, depending on shipping location. Time gains are allowed for the report by not holding books open for vendor's invoices or for billing every last shipment.

The report is sufficient for our management to get a rounded view of what happened to the business during the preceding month. Thus it is in a better position to capitalize on strengths, and to counter such profit drainers as creeping expenses, inventory imbalances, production and purchasing inefficiencies, and sales challenges from competition.

A good controller is likely to be a man who would be the logical choice as the chief executive of his company—a logical choice because of the man's ability and capacity, and equally important, because he has occupied a job with the choicest vantage point in the entire organization for a comprehensive view of what's going on and why it happens the way it does.

REQUIRED READING MATERIAL

Editors, THE CONTROLLER:

Would it be possible to obtain permission to reproduce the following material for use in the University of Texas Executive Development Program: Fitzmaurice, E. F., "The Essence of Control," THE CONTROLLER, November 1950.

GLENN A. WELSCH
Associate Professor of Accounting
The University of Texas
Austin, Texas

Editors, THE CONTROLLER:

The Chemical Corps School has established, in its curriculum this year, a course in Business Management and Executive Development. In our endeavor to acquaint and present to the officers enrolled in this course articles on the various phases of management, our attention has been invited to an article of yours, published in the November 1952 issue of THE CONTROLLER, entitled "Good Bosses: Key to Good Employe Relations" by John A. Spencer.

It is requested that permission be granted to reprint the article for school use. Proper credit and acknowledgement will be shown on the reprinted article, which will be used as required reading material and will not be sold.

WILLIAM B. WARE
Major, Cml C, Secretary
The Chemical Corps School
Chemical Corps Training Command
Fort McClellan, Alabama

MUTUAL PROBLEMS

Editors, THE CONTROLLER:

We understand that in the July 1955 issue of THE CONTROLLER there appeared an article by John H. Schwarten, Jr. telling how his company approached the problem of inadequate return on capital invested.

From the brief details given in a summary of the article, it appears that the problems were much the same as face this firm at present and we should be very much appreciative if you could let us have a copy of the article in full.

D. FREARSON
Secretary
Mainline Distributors Pty. Ltd.
Perth, W. Australia

Editors, THE CONTROLLER:

In the July 1955 issue of THE CONTROLLER John H. Schwarten, Jr. told how his company approached the problem of inadequate return on capital invested. This article was reviewed by *The Australian Accountant,* which is the official journal of the Australian Society of Accountants.

The review, however, was very brief and as we would like to study the article further, we wondered whether you would be kind enough to let us know how much a copy of THE CONTROLLER would cost, so that banking arrangements could be made in Australia for the necessary dollars.

E. N. BLAIR
Harris, Scarfe & Sandovers Limited
Perth, W.A.

The article referred to is entitled "Converting a Loss Division into a Profitable Operation," telling the story of Ben Franklin variety stores. —*The Editors*

Vice President, Controller and Director of Medium Size Company with a background of twenty years experience in Sales Production and Finance wishes to become affiliated with a more Progressive Company. Prefer to locate in Puerto Rico or the Southeastern United States.

Box D2209
THE CONTROLLER
2 Park Ave. New York 16, N. Y.

Scanning the Scene

Of Comptrollers and Controllers

From reader Paul Kremer of Buffalo (assistant treasurer, The Buffalo Slag Company) we receive word of an item in a bulletin recently issued by Norman Jaspan, a management engineer in New York, discussing "Comptrollers . . . and Controllers." He presents some "definitions not found in any dictionary" in the course of the following comments:

"We number among our best client-contacts some comptrollers and some controllers—however they designate themselves.

"Therefore, any inference that we are referring to these good friends of ours is purely coincidental. It is some of the other comptrollers (or controllers) to whom we are referring.

"The term 'compt' (in comptroller) means to 'count.'

"Therefore, a 'comptroller' is a fellow who COUNTS.

"What good is it to count anything? Either you've got it, or you haven't got it. Counting it isn't going to do you one bit of good, except to make you feel sad and unhappy if you haven't got it anymore, or haven't got as much as you thought you should have by now.

"Thus—the 'comptroller' looks backward counting what he has got left—which doesn't do anyone any good.

"On the other hand . . .

"The term 'control' (in controller) means to shape and determine results—to prevent things that you have or should have from getting away.

"Thus—the 'controller' looks forward—to make sure that he is going to have what he expects to have . . .

(End of definition)

* * *

"P.S.—Of course, just as a rose is a rose by any other name, there are some 'controllers' who 'compt.' But, that's life—always complicated."

The Role of Modern Credit

The understanding and enlightened use of modern credit principles in business has made possible the growth of our standard of living, declared Paul J. Viall, president of the National Association of Credit Men, at a recent conference in Fort Worth, Texas. Mr. Viall, a member of Controllers Institute of America, is treasurer of the Chattanooga Medicine Company. In addition to the use of credit, Mr. Viall pointed out that other distinguishing features of the American economy are the high degree of competition under our free enterprise system and the continued obsolescence of commodities.

"Competition tends to keep quality up and prices down," Mr. Viall said, "while our public discards and replaces products where in other countries they are used until worn out."

The question of how the economy goes depends more upon the intelligence, moral character and informed action of our people than has been the case in any past period. Noting that our economy in 1955 reached the highest point in our history, he declared that resemblances to 1929 are not necessarily close parallels and predicted that there will not be a repetition of that catastrophic experience.

The "Plus" of Mergers

There has been and still is much ado about the wave of corporate mergers during recent years with many viewing the trend with alarm. One of the inevitable results, in the eyes of Rodney C. Gott, executive vice-president of American Machine & Foundry Company, is the stimulation and acceptance of improved management principles and techniques in the merged organizations. In a recent address Mr. Gott noted that many parent companies are emerging as management consultants for the benefit of the subsidiaries they have acquired.

In the course of his observations, Mr. Gott pointed out that his concern had found it expedient to organize local boards of directors for its subsidiaries. At least two officers—either its treasurer or controller—are serving on each of these local boards and each board is provided with a check list of items with which it should be concerned.

More complete accounting and financial reporting systems are generally required of each subsidiary, which is charged established head-office costs on the basis of the charges of comparable management consulting services. Each subsidiary is required to submit annual forecasts of bookings, billings and profit and loss, and revisions are ordered quarterly if needed.

Among other steps, to be accomplished gradually after merger, are combination of allied lines for marketing purposes, the furnishing of subsidiaries with adequate engineering and research departments, and the establishment of pension plans conforming with over-all plans of the parent company.

Watch Those Calories!

Catching up with some accumulated reading material recently we were intrigued by the following paragraph in *Management Briefs* published by the consulting firm of Rogers, Slade & Hill:

"Subordinates' 'YESSES' are the carbohydrates of an executive's mental diet. Toothsome, gratifying, and—up to a point—necessary for strength. But if you eat nothing else, you can put on fat where it is most dangerous of all: in the head."

—PAUL HAASE

it adds up...

There's no better adding machine than the Remington Rand All-Electric.

It has everything!

- 10 key keyboard for touch control
- Two color tape for proof of accuracy
- Electrified multiplication
- Direct subtraction

Remington Rand
DIVISION OF SPERRY RAND CORPORATION

Integration of { Data-Processing Requirements and The Design of Electronic Equipment

Paul Kircher

THE DEVELOPMENT of electronic equipment and the approach adopted to business data-processing applications appear to be entering a second phase. Emphasis is shifting from the all-out effort to invent new computing devices. Instead, there is an increasing attempt to integrate new designs with all the needs of specific data-processing systems.

The startling speed with which computers can operate was greeted initially with surprise and delight by some, with foreboding by a few, and with a sort of dazed appreciation by others. However, businessmen have not taken too long to adjust themselves. They now are fully aware that electronic equipment exists, and that it can do many useful things. They also have learned, from the experience of the first users, that electronic equipment is not cheap. Nor is any one machine efficiently all-purpose.

Selection of the most suitable electronic system is a difficult task. The attempt to apply electronics to business routines has raised a whole host of new problems. Many of these problems are considerably different from any previously experienced in business. Many companies have had to hire new types of personnel. They also have had to reorganize their systems and procedures groups. They are engaged in making elaborate studies of their data-processing needs. The studies are more scientific in their approach than has been customary in business.

There has been a renewed realization of the importance of the human element. Automation of clerical processes removes some people by eliminating certain intermediate routine jobs. But it places increased emphasis on the reporting abilities and the information needs of those who remain. It has an impact on the operators whose actions are recorded and on the managers who use the data for decision purposes.

Henry Dreyfuss, the noted industrial designer, has highlighted this concept. He has reminded us that in any field of design, as in the days of Protagoras, "the measure of all things is man." No design can claim to be good unless it recognizes the needs, the abilities, the prejudices and even the hopes of the man who will use it. If man is not considered, no matter how technically correct the design, there will be friction wherever and whenever the user and the designed product come in contact.

Unfortunately, electronic equipment is being introduced in an area where a great deal of friction already exists. It has become almost a standard procedure at conferences for the engineers to blast the accountants. The *Harvard Business Review* has featured a number of articles which emphasize the shortcomings of present accounting systems from the management point of view. Peter Drucker in "The Practice of Management" has shown a similar attitude.

Late reports, inaccurate or useless reports, misunderstandings as to the reasons for cost variances, arguments over cost allocations, etc., are only too prevalent. The inadequacies and expense of present methods of processing data offer a major opportunity for the installation of new methods and new equipment.

In fact, the opportunities have been almost too evident. Only the substantial cost and the difficulties involved in transforming so vital an element as the information-handling process have served to brake somewhat the enthusiastic acceptance of the new machines. Even so, acceptance has been more rapid than for any comparable development in business history. The first punch card machines, for example, were used at the Bureau of Census before the turn of the century. Yet they were not generally accepted for more than a generation.

OBSTACLES TO INTEGRATION

An appreciation of the obstacles which already have been recognized, and in part overcome, can be gained from a study of the development of computers to date. The first scientific computers were primarily high-speed calculators. Many additional features were required before the machines began to appear suitable for accounting.

In the beginning, computers were entirely numeric. While it is possible to code words to numbers, the friction caused by the need for translation is substantial. So, general-purpose business machines are now designed to be alpha-numeric.

PAUL KIRCHER holds a Ph.D. degree from University of Michigan and a CPA certificate (State of Illinois). At present he is associate professor of Accounting at University of California, Los Angeles. He is author, with George Kozmetsky, of "Electronic Computers and Management Control" published in 1956 by McGraw-Hill. He is a member of Controllers Institute of America, American Institute of Accountants and American Accounting Association. He is consultant, Industrial Logistics Research Project at UCLA, being sponsored by the Office of Naval Research.

Another example of the change in design is the development of increased speeds at input and output. The first machines were severely handicapped in this regard. Several years ago it was almost pathetic to watch a group of business accountants on a visit to a computer installation. As soon as they saw that a typewriter was used for output from a multi-hundred thousand dollar machine, for all practical purposes the demonstration was over.

There are many other examples of this trend in the development of equipment design. These include the introduction of variable word-lengths; of high-speed sorters or sorting routines; of buffers at input and output; of multiple trunk lines to the processor; of increased high-speed random-access storage; of built-in checking devices; and of an increasing variety of instruction commands. Libraries of subroutines have been constructed. On the horizon is the development of pseudo codes to reduce the friction between the human programmer and the machine.

On the other hand, accountants also have been active. They are endeavoring to adjust their systems for efficient use of the new equipment. Perhaps most significant of their efforts is the attempt which many of them have been making to understand the new machines. Men have been assigned, full time, to study at computer schools, attend conventions, visit installations, and otherwise to prepare themselves. Company groups have made detailed studies of their present systems and have prepared a considerable amount of material to help their staffs and executives to understand the probable impact of electronics.

Public accountants have developed helpful material. Notable examples are the color film prepared by Arthur Andersen and the 100-page monograph published by Haskins and Sells. Anyone who has had the experience of trying to interest busy executives in a new concept or new product will recognize how important and helpful all this effort has been.

In addition, accountants in many companies are moving to make their systems more compatible with the abilities of electronic equipment. They are studying the need for standardizing their codes, forms, and reports. While a computer is flexible and can handle variations more easily than can a punch card system, the programming involved is expensive, especially when several types of items are processed simultaneously. Accountants are studying the advantages of reorganizing and consolidating the flow of data through recording, processing, and reporting. The common language projects at U. S. Steel and the C&O Railroad are notable examples. The possibility of consolidation of files is receiving primary attention as are other aspects of the storage problem.

It has been recognized that if reports are to be speeded up, more than merely electronifying the system will be necessary. Present punch card systems are fairly fast if the data can move through them without delays. Reasons for delay often can be eliminated with electronics, especially by programming to report only the exceptions or off-standard activities.

It is generally believed that classification methods now used in many accounting systems result in much inflexibility. Certain data cannot be abstracted from the records without considerable effort. In other instances, information needed for decisions is simply unobtainable since the original record omitted necessary references. Also, it frequently happens that certain cost elements (e.g., raw materials that arrive in split batches with different price billing) are not available from the accounting system in time to make up actual cost reports until the projects involved have lost all interest to managers. The added burden of processing large amounts of detail has not heretofore been worth while. Now, however, the processing can be done more economically. The problem has changed to one of proper planning and preparation.

Scheduling the flow of work through the processing center is another subject to which many accountants have addressed themselves. The burden of end-of-the-month reports is a disrupting influence in many present card systems. Scheduling for peak loads will be even more important when using electronics. Although a computer operates very rapidly, some routines can tie it up for extended periods. This is especially true where programs have not been as efficient as predicted, e.g., in the case of some payrolls which have been found to take many times as long to process as was originally estimated.

Auditing requirements are another area that is receiving attention. Methods of internal control are being revised. The need for visible records for operating and legal needs also is under study. Vouchering requirements, such as the need to tie personal authorizations by signatures to magnetic tape records, are also of interest to accountants.

PIONEER EXPERIENCES

Perhaps the most vivid portrayal of the changing pattern of developments may be obtained from an examination of the variety of approaches which have been employed by companies who are pioneering this field.

Service Center. Several initial installations have been premised on the concept that the computer was to be used only as a service center. Misgivings of managers and other personnel were met by assuring them that only the data-processing routines would be changed. Records were still to be made in the same way at the operating stations. Reports would appear unchanged. Original evidences would even be returned to the primary sources for their inspection whenever desired.

Savings can be effected by such a use of electronic equipment. However, in some cases where this approach has been employed, the savings have not been so substantial as at first expected. More important, the great abilities of computers have been so restricted that their true potential has been far from realized.

Vital Functions. Some companies are installing equipment with a view toward handling a vital routine as their initial application. An important procedure which

"It's a genuine Roger Babson!"

is now considered to be too cumbersome or too costly is placed on the computer. Examples are payroll at General Electric (Louisville) and U. S. Steel (National Tube), and billing at Commonwealth Edison (Chicago).

In some cases this approach has been adopted in a deliberate effort to test the capabilities of the equipment. In others, the companies are aiming for substantial cost reduction or improved performance where it is most urgently needed.

The difficulties attendant on such an effort are enormous. In one installation (not cited above) the programmers were forced to work a 100-hour week during the period before the installation deadline. As they and others have learned, no program works right on the first try and changes cascade like dominoes.

Some of these pioneers have been warning others to reduce the problem by not trying to place all exceptional events on the computer. It is inefficient to program for them. However, this reduction can be a real source of friction. Businessmen often have been assured that the ability to handle exceptions is one of the major advances that computers will bring. Accounting systems design should attempt to minimize exceptions. Equipment design may be able to take into account the need for better methods of handling exceptional items. Perhaps the solution will be to give these exceptions only partial processing, e.g., by presorting and to present them in forms which can be completed easily by other methods.

The optimum example of flexibility is a competent accountant working with a general journal and a general ledger. He can handle any type of entries in any order. His brain represents the ultimate in random access to stored programs. Electronic systems are still far from achieving similar flexibility.

Expanded high-speed random access to memory will help. One approach to applications of great magnitude, adopted at Commonwealth Edison, is to start the changeover with a small batch of items, thus in effect reducing the scope of the problem and the impact of initial errors. Edison began with about 45,000 accounts, a group chosen from over 1,800,000 and eventually to be handled.

Meeting Competition. A number of companies have initiated their computer installations primarily because they believe their competitors either have or soon will move into the field. They are impressed by statements such as that by Don Mitchell, chairman and president of Sylvania, in a keynote address at a meeting of the American Management Association. Mr. Mitchell declared that electronic data processing will separate the men from the boys in commercial and industrial management. Executives will not be able to put off decisions with the excuse that the facts are not yet available. And, said Mr. Mitchell, managers will have to assume that competitors will have information "just as fast as you do."

"You better hurry and get those valves ground before your father gets back from lunch!"

Some companies, impressed by such thoughts, have rushed into the field so fast that they have found themselves in the embarrassing position of having to ask manufacturers to postpone delivery of their machines. This at a time when there are long waiting lists for many types of equipment. The companies had not made the necessary systems studies, prepared programs, and attended to all the other details that are necessary for a successful installation.

It takes considerably more than mere willingness to adopt electronics in order to keep abreast with competition. Computers do not easily lend themselves to performance of complicated accounting routines. A company must gear itself to make a real effort.

The problem will remain especially acute until design of both accounting systems and of electronic devices can be better integrated. One large company, Du Pont, has recognized this to the extent that they have embarked on a two-year research program. They have rented a UNIVAC and also placed a tentative order for an IBM 705, "so as to be in a position to move in any direction."

Special Routines. A number of companies have become interested in electronics because the machines were obviously suitable for certain special purposes. Frequently these have been situations where volume counts or other data were required as or soon after transactions occurred. The John Plain Distributon, the American Airlines Reservisor, the Toronto Stock Exchange, several Magnefile installations, and others have been of this type.

In several of these cases the companies do not appear interested in extending the scope of their systems. The special installations were not accomplished too easily. Apparently the companies have been somewhat reluctant to attempt routines which might be even more difficult, with pay-offs less certain. Again the indication is that the design of the systems must be improved to make further applications more attractive.

Emphasis on Programming. Several large companies are using scientific computers to handle routines more usually considered to be business data processing. In one such instance, the head of the computer group is not convinced that present large-scale "business" computers offer substantial advantages in adaptation to business routines. He feels he can "mark time," since he has a staff trained to handle the necessary coding conversions. Similarly, companies with early models of business computers may find that emphasis placed on training programmers may offer the best pay-off until better business computer designs are available.

APPROACH TO INTEGRATION

With these evidences of the need for better integration of accounting systems and of electronic design, how should the problem be approached?

It would appear that in the past primary emphasis has been on the development of all types of electronic devices that looked promising, followed by attempts to find out on which accounting routines they might be used. As indicated, the emphasis is now shifting to a study of busi-

MEMO TO MYSELF

(picked up from an executive's desk)

Our organization probably has today:

More flexibility than we are using—fully
More talent than we are using—fully
More experience than we are using—fully
More people than we are using—fully
More equipment than we are using—fully
More loyalty than we are using—fully

What can my associates and I do about this situation?

ness requirements with the attempt to design components so as to come closer and closer to meeting these needs.

Some computer manufacturers have conducted extensive surveys among potential users in order to study this problem. However, few customers are yet in a position to say exactly what their needs will be.

No general philosophy for attacking this problem has yet been developed. There are several possibilities which appear promising and perhaps a combination of these may serve to set future patterns.

One of these approaches is to view the need for data in terms of the type of activity which the information serves:

1. Data for long-range-planning purposes, to aid managers in choosing between alternative courses of action.
2. Data for attention-getting, to help managers monitor current operations by highlighting those which require adjustment.
3. Data for routine operations, such as for payroll, billing, credit, cash receipts and disbursements, inventory, etc.
4. Data for the historical record, such as for reports to stockholders, tax returns, the SEC, state licensing, etc.

Each of these calls for different speeds of reporting, different volumes of data flow, different access to storage, etc.

Of course, this is only the first step. Decision-making, for example, can be studied from a somewhat different approach:

a. Strategical programming—determination of the long-term plans and policies of the organization.

b. Tactical programming—determination of the shorter-term plans and policies.

c. Scheduling—the periodic assignments of duties to personnel and of expected physical flows to and from machines.

d. Operating—the on-the-spot decisions of operating personnel with regard to the individual peculiarities of specific situations.

Or, the activity types can be subdivided into the functions involved—financing, purchasing, personnel administration, etc. Each of these entails somewhat different types of problems. To some extent data for each originate at different locations and the reports are required at still different points.

Delineation of the paths and processes and measurement of the rates and volumes of flow of data will require a scientific approach. The abilities required have given rise to what may amount to a new profession, that of "information engineering."

Construction of work-flow diagrams is still in a relatively primitive stage of development. Descriptive models, utilizing such techniques as matrix algebra, offer considerable promise in this field. The work of Irving Lieberman of Litton Industries is an outstanding example of this type of approach.

Furthermore, the needs of individual managers and operators must be considered. Individuals have differing backgrounds and abilities, which lead them to function best with certain types of information. Some men want to see charts; some want figures. Some want only a skimming of top items; others want details. Some men will function best if given an oral report; some want to see what is happening for themselves. Industrial TV may be the answer.

No program of electronic machine installation can be successful unless it recognizes these personal needs and unless the system design integrates the many ramifications of each of these needs. The psychological problems involved have as yet hardly been defined in a scientific manner.

LEVELS OF INTEGRATION

There are several levels of integration. It is necessary to start somewhere. A number of companies have research groups working on top management problems. Some start at the bottom. Some are trying to improve the present routines, and therefore might be said to be starting at the middle.

Since it is impossible to do everything at once, and since it is somewhat more tempting to deal with important problems, there has been a strong urge to aim high and to avoid the dive into detail. Yet there is evidence that the latter may be the most fruitful in the long run. The group can narrow its attack to problems susceptible to solution in the not-too-distant future, but keep in mind an over-all perspective of their ultimate objective.

A well-integrated business system can never view operations from afar. Good reporting is a part of operations. The operations would not be the same without it.

But this is only the beginning. Good systems design integrates not only within a function but between functions. The objective is to gear sales to production, and production to sales, and both to financing, and all these to personnel administration, and so on, throughout the organization. At present this is accomplished, after a fashion, with budgets, which are a type of predictive model. Few decision models have yet appeared in this area.

Companies which have plants in different locations also require geographical integration. This calls for quick, accurate, and not-too-expensive communication. Standardization of definitions, codes, procedures, forms, etc., is required.

The whole operation of a business should be guided and directed by the policies of top management. It should be subject to evaluation against standards set by executives. It should be controlled by them. At this level we are encountering real difficulties, since scientific analysis and model-building need considerable development before they can be used effectively here.

Finally, and by no means least important, are the social implications. Whatever technical improvements are offered, the systems cannot fully succeed if viewed solely as mechanistic developments. The changes affect people. Men will have to be retrained, relocated and re-oriented. Large groups may be affected by changes in hiring practices and in the education expected of workers.

The social problem has been recognized, after a fashion, in various editorials and articles which seek to reassure workers that they need not fear automation. However, positive action is yet to be forthcoming. Schools are inadequately prepared to aid in this—only a few graduate courses are yet available. Company programs for retraining workers have been limited to short courses of general orientation as to the nature of electronics.

"The ace of spades says we trade 'em in"

Economics, not chance, should govern trade-ins of old typewriters.

If, after *x* years, yours cost too much to service and turn out bad-looking work, get rid of them. Get new Royal Standards.

Your typists will do *more* work . . . easier and better. There'll be less time out for repairs and lower service costs, too.

Salary, rent, light, heat, telephone and typewriter supplies are all part of the "typing station" cost. Did you realize that *one new Royal Standard* represents less than 1% of this charge?

"But how *many* years is *x* years?" That's a fair question which your local Royal Representative can answer for you. It varies from business to business, of course. Why not call him today?

ROYAL® *standard*

electric • portable • Roytype® business supplies

Royal Typewriter Company, *Division of Royal McBee Corporation*

Pricing with Direct Costs

W. R. Wright

In any discussion of the advantages and disadvantages of direct costing, one of the most frequent questions raised is: *How can mangement be sure that prices cover total costs unless unit costs include a proper allocation of fixed charges?*

THE QUESTION is almost always asked by a staunch advocate of absorption costing who firmly believes that by putting the depreciation charge for a given machine into unit costs, prices will be set that will recover the cost of the machine. Nothing could be further from the facts of competitive life!

This is clearly demonstrated by Jules Backman, professor of Economics, New York University, in his book on pricing. He states:

"Many businesses found that they could price their products in this way (on total costs) in the early postwar period because of inflation which gripped the economy. In effect, the emphasis on costs reflected a socially acceptable justification for increasing prices —increases which were feasible because of the large demand created by inflationary incomes. But as supplies increased and as competitive pressures once more reasserted themselves, it became quickly apparent that this practice no longer was possible. The graveyard of business is filled with the skeletons of companies that attempted to price their products solely on the basis of costs."[1]

In order to demonstrate the fallacy of using total costs for establishing prices in a competitive market, a hypothetical case history has been developed. It is assumed that the Widget Manufacturing Company produces and sells "widgets" of a single size and style. The variable (or direct) manufacturing cost is $4.00 per widget. This includes such items as direct labor, material, power and fringe benefits paid to direct labor. The fixed (or constant) manufacturing overhead for such items as supervision, depreciation and rent amounts to $24,000 per year. It is anticipated that the company will produce and sell 10,000 widgets during the coming year. Using the total cost method, the selling price for widgets would be set as follows:

		Cost per Widget
Variable Manufacturing Cost	$4.00	$
Fixed Mfg. Cost ($24,000 ÷ 10,000)	2.40	
Total Mfg. Cost		6.40
Selling & Admin. (10% of Mfg. Cost)		.64
Total Cost		7.04
Profit (10% of Total Cost)		.70
Selling Price		$7.74

Assume that the $7.74 price was well below competition. Sales increased rapidly. Thus, the Cost Department, when establishing its "burden point" for the following year, was given a sales forecast of 12,000 widgets for absorbing the fixed charges.

The Accounting Department would then have figured its pricing formula as follows:

		Cost per Widget
Variable Manufacturing Cost	$4.00	$
Fixed Mfg. Cost ($24,000 ÷ 12,000)	2.00	
Total Mfg. Cost		6.00
Selling & Admin. (10% of Mfg.)		.60
Total Cost		6.60
Profit (10% of Total Cost)		.66
Selling Price		$7.26

The Accounting Department would, in effect, tell management that in spite of the rapid increase in sales, it should reduce the price from $7.74 to $7.26 per widget.

Now assume that instead of being competitive, the $7.74 price had been too high and sales dropped rapidly. The Cost Department, when figuring its burden point for the following year, was given a sales forecast of 8,000 widgets for absorbing the fixed charges.

The Accounting Department would then have figured its pricing formula as follows:

		Cost per Widget
Variable Manufacturing Cost	$4.00	$
Fixed Mfg. Cost ($24,000 ÷ 8,000)	3.00	
Total Mfg. Cost		7.00
Selling & Admin. (10% of Mfg.)		.70
Total Cost		7.70
Profit (10% of Total Cost)		.77
Selling Price		$8.47

Thus with sales dropping, the Accounting Department would tell management that it must raise the price from $7.74 to $8.47 or lose money!

In this oversimplified hypothetical case it seems absurd to imply that any accountant would tell management to increase

W. R. WRIGHT was graduated from the University of Michigan, class of 1929, Mechanical and Industrial Engineering. After a brief period as an independent consultant in management engineering with headquarters in Baltimore, Maryland, he joined Stevenson, Jordan & Harrison, Inc., New York, in 1933. In 1947 he became a partner in the firm.

prices when they are losing business to competitors and to reduce prices when they are taking business away from their competitors! It is absurd in such a simple situation, but that is exactly what is happening every day in thousands of complex businesses under the "absorption" or "whole cost" basis of pricing. This is confirmed by the Brookings Institute study on Industrial Price Policies which reports:

"The history of practical business is strewn with illustrations of the manager who sought to recoup the overhead cost of the whole plant from a product limited to a fraction of its capacity, the resulting high price of the product itself operating to depress sales."[2]

However, the NACA Research Committee on Costs for Pricing states:

"Over the long run, management's pricing objective is to obtain prices for the company's products which will return all costs and provide an adequate return on capital invested. For such a purpose, long-run normal or average cost of the product constitutes a better guide than does the cost which prevails in any given short period. One reason for this is that unit costs, based upon short-period volume, rise as volume declines and fall when volume rises. If management should follow short-period average costs in pricing, it might expect serious reduction in its share of the market potential if it increased selling prices in a time when activity in the industry was falling. On the other hand, to lower prices when a temporary rise in volume occurs destroys the opportunity to recover losses suffered in periods of low volume. These disadvantages can be minimized by developing product costs in which the fixed costs are spread evenly over the number of units produced during a period long enough to average out short-period volume fluctuations."[3]

Accountants who use this long-range volume method for allocating fixed charges to unit costs avoid the absurdity demonstrated in the widget case. However, they still fail to give management cost data that are of most assistance in selecting, from many alternatives, the one most profitable course of action. To supply this need, many go through long and tedious computations of over-all budgets with and without a given order at various prices. This is costly and, obviously, can only be done with extremely large orders.

All this confusion and complexity can be avoided by the use of direct costs and the "P/V" (profit/volume) technique for profit planning. With cost data in this form, most pricing decisions can be made by nonaccounting executives with simple arithmetic. In the most complex problems, even linear programming becomes practicable because direct costs bear a linear function to volume in contrast to "absorption" costs which are curvalinear. The key to direct costs is the clear-cut separation of expenses into variable and constant components.

> *Variable Expenses* are those which increase or decrease in direct proportion to production or sales volume; such as direct labor and material.
> *Constant Expenses* are those which tend to remain the same in total amount for a given period even though volume may change considerably. Rent, depreciation and executive salaries are examples.

Last year a special survey of costing and pricing techniques was conducted by Stevenson, Jordan & Harrison, in collaboration with the American Institute of Management and Dr. James S. Early of the University of Wisconsin. All companies were sent a written questionnaire concerning the availability and use of fixed vs. variable cost breakdowns. Replies were received from 110 companies—a 51% response. Of those reporting, only 61% indicated that breakdowns of costs into their variable and fixed (or constant) components were available as regular reports to management. In appraising the results, the research group stated:

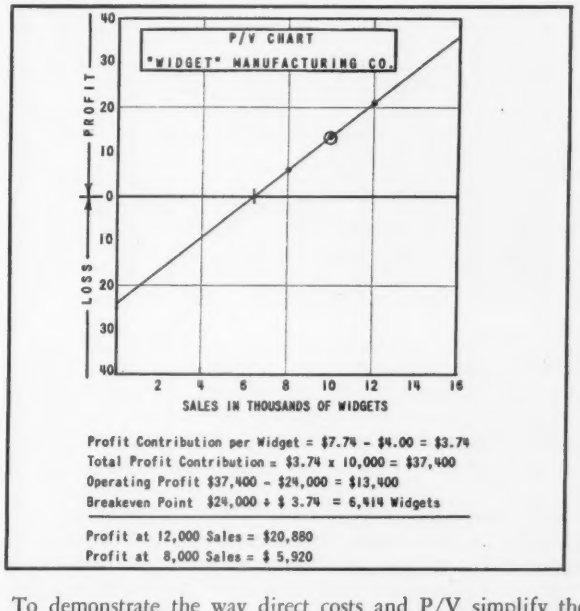
"In any survey of this type, there is generally a tendency for respondents to answer questions so as to portray their company in favorable terms. Therefore, it is probable that several companies may have exaggerated their use of fixed versus variable breakdowns."

Thus, in this list of excellently managed companies a large proportion do not have cost data readily available showing the interrelation of costs, prices and volumes. Accordingly, they are handicapped in trying to make the best pricing decisions. With the general run of companies, the proportion without such cost breakdowns is much greater. This conclusion is supported by Dr. W. L. Campfield of the University of San Francisco who was consultant for the Office of Price Stabilization. He says:

"Although it represents a commonplace of conventional economic analysis of the actions of individual enterprises, the concept of marginal cost and its relation to the output of a firm would appear from empiric evidence to convey little meaning to the majority of business enterprisers. Notwithstanding, few managers of business firms are unaware of the fact that each additional unit of output will add a measurable sum to total costs of production. Managers in appraising the success of their price policies will always search out opportunities for charging differentiated prices should sales volume fall below a budgeted normal. Hence, an informed accountant should experience little difficulty in apprising the alert manager of the meaning and significance of the marginal cost concept."[4]

As stated above, the foundation of direct (or "marginal") costing and the P/V technique is the breakdown between fixed and variable costs. Companies with direct costing not only have this breakdown, but all reports to management maintain this separation and the interrelation of prices, costs and volume is always crystal clear.

FIGURE 1



To demonstrate the way direct costs and P/V simplify the pricing problem, refer to *Figure 1* which presents the widget case in the form of a P/V chart. The total constant (or fixed) expense of $24,000 is the amount of loss that would be sustained if no widgets were produced and sold. Each widget pro-

[1] "Price Practices and Price Policies," Ronald Press, New York, 1953, p. 148.
[2] "Industrial Price Policies & Economic Progress," Brookings Institute, p. 96.
[3] NACA Research Series No. 24, Volume XXXIV, No. 12, p. 1709.
[4] "Accounting Adaptation of Marginal Cost Theory as an Aid to Management in Price Policies," *The Controller*, November 1952, p. 538.

FIGURE 2

A.B.C. MANUFACTURING COMPANY

PROFIT PLAN (000 Omitted)

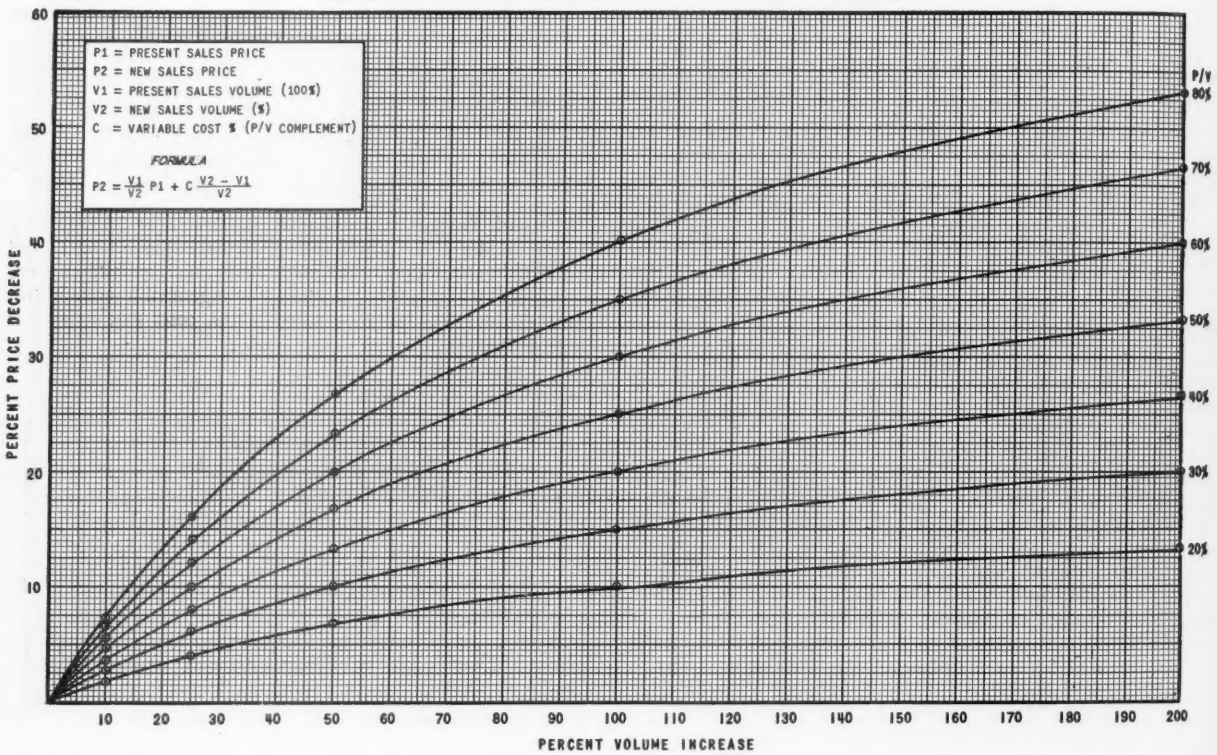
DESCRIPTION	TOTAL	PRODUCT LINE A	PRODUCT LINE B	PRODUCT LINE C	IDLE PLANT
Sales Forecast	$70,000	$10,000	$20,000	$40,000	0
Estimated P/V	24%	50%	30%	15%	0
Profit Contribution	17,000	5,000	6,000	6,000	0
Planned Constant	12,100	2,500	4,000	5,500	100
Net Operating Profit	4,900	2,500	2,000	500	(100)
% of Sales	7%	25%	10%	1.3%	0
Gross Assets Employed	33,000	10,000	12,000	10,000	1,000
% Return	15%	25%	16.7%	0.5%	(10%)

8,000 volume. Consideration would then be given to improving the profit plan by reducing expenses and increasing volume by lowering the price to meet competition.

"That's all very well in your simple widget business," says Mr. Absorption Coster, "but in actual practice you have many different products that use various proportions of the time of costly facilities. How do you know whether each product is carrying its fair share of burden if you don't allocate fixed charges to products?"

The answer is that with direct costing, fixed charges are allocated to product groups as part of the profit-planning operation. However, they are allocated in total and not on a unit cost basis. *Figure 2* shows an example of how it works. This method permits a realistic appraisal for both short-term pricing and long-term planning. By carefuly selecting the product groups, the analysis will not only show whether a product line is carrying its fair share of the fixed charges but it will show whether it is providing a proper return on the gross assets employed in producing and marketing the line.

FIGURE 3 REQUIRED VOLUME INCREASE TO OFFSET PRICE DECREASE



duced and sold has a direct cost of $4.00 so that with a selling price of $7.74 there is a margin of $3.74 from each widget. This is used to pay constant expenses until the breakeven point is reached at 6,417 widgets (6,417 × $3.74 = $24,000). After that, a net profit of $3.74 is realized for each additional widget sold.

In the case where the price was below competition and sales increased, the profit plan for the following year would never suggest to management that the price should be reduced. Profit would simply be projected on the profit path to the new sales forecast and consideration would be given to increasing the price in order to maximize profits.

In the case where the price was above competition and sales dropped, the profit plan for the following year would not suggest raising prices. Profit would be shown on the profit path at

For example, it may be noted that product line C helps the short-term picture because of the $6,000,000 profit contribution but the return on gross assets employed is so low that plans must be made to improve the P/V or to replace the line with a more profitable one because at no projected volume at the present P/V could the company achieve an adequate return on gross assets employed.

Having established the long-range policy, management then decides on the P/V that will be established as the objective for each product group. Assuming *Figure 2* represents the final profit plan for the immediate short-term period, management would determine the "right" price for any product by dividing the direct (or variable) unit cost by the complement of the P/V for its product line. Thus, the right price for a new product that is to become a part of product line B, and whose variable cost is predetermined as $4.20 per unit would be $4.20 ÷ 0.70 = $6.00.

In cases where the relative direct material content of a product line varies widely, it is advisable to use a lower P/V ratio

for material than for variable labor and expense. For example, assume that product line A in *Figure 2* has a wide range of material content. A new product for this line with 85% material content would be overpriced as compared with an item having a 40% material content if both values were divided by the complement of the average P/V (0.50). However, assume that if the material value is assigned a 20% P/V and the variable labor and expense is assigned a 70% P/V, the composite of all items in the line averages 50% P/V. Thus, the right price for a new item in this line would be the sum of the direct material cost divided by .80 and the variable labor and expense divided by .30. This same principle applies to purchased services.

With cost information in the direct form, there are a number of other aids to management that can be developed for making quick pricing decisions. *Figure 3* is an example of a chart that was developed for a company whose sales manager felt that any price above direct labor and material helped to absorb overhead and that a given per cent price cut could be justified by an increase in volume of about the same percentage. The chart shows

FIGURE 4

A.B.C. MANUFACTURING CO.

STATEMENT OF INCOME ($000 Omitted)

	TOTAL	PRODUCT LINE A	PRODUCT LINE B	PRODUCT LINE C	IDLE PLANT
NET SALES	$7,200	$1,100	$1,800	$4,300	-
Variable Cost of Sales at Standard:					
Materials	3,520	300	720	2,500	-
Manufacturing Labor and Expense	1,715	230	385	1,100	-
Selling and Distribution Expense	315	70	95	150	-
Total Variable Cost at Standard	5,550	600	1,200	3,750	-
PROFIT CONTRIBUTION AT STANDARD	1,650	500	600	550	-
% of Net Sales (Std. "P/V")	22.9	48.4	33.3	12.8	
Variances on Variable Costs:					-
Labor and Expense	(70)	(45)	5	(30)	-
Material Usage and Scrap	5	5	10	(10)	-
Purchase Price	10	3	2	5	-
Total Variances on Variable Costs	(55)	(37)	17	(35)	-
PROFIT CONTRIBUTION AT ACTUAL	1,595	463	617	515	-
% of Net Sales (Act. "P/V")	22.1	42.0	34.3	12.0	
Constant Costs:					
Budgeted Amount	1,008	208	333	458	9
Less: Variances on Constant Costs	10	2	3	3	2
Total Constant Costs	998	206	330	455	7
OPERATING PROFIT OR LOSS	597	257	287	60	(7)
% of Net Sales	8.3	23.4	15.9	1.4	-

( ) Denotes red figures

clearly that the volume required in any given case to make up for a contemplated price is a function of the P/V ratio. For example, a product with a 30% P/V would require a 50% increase in volume to offset a 10% price reduction, while a product with a 50% P/V would only require a 25% increase to offset a 10% price reduction. With absorption costs and no separation of fixed and variable components such computations are not possible—even with UNIVAC!

In addition, the form of analysis shown by *Figure 2* provides one of the best methods of determining proper price differentials in accordance with the Clayton Act and the Robinson-Patman Act. This is done by using the columns for different customer or trade classifications instead of product lines.

Finally, with direct costing, the regular management reports show clearly how good a job is being done in meeting planned price and volume objectives. *Figure 4* shows a typical "direct" profit and loss statement. It is set up in the same terms and groupings as the master profit plan on which both short- and long-range pricing plans were based. *Figure 5* shows the analysis of variance from this profit plan in terms of executive responsibility. With direct costing, this analysis is simple and easily understood by operating and sales executives. With absorption costing, the variation in profit due to swings between sales and production volume makes the analysis of variance so complex that even the controller has trouble understanding it, let alone trying to explain it.

In terms of the roles that costs play in various pricing situations, it is believed that direct costs provide more usable data in almost any situation than do absorption costs. Consider the four basic situations with respect to the relative influence of cost on price:

1. *C.P.F.F. or Cost Plus Contracts*

   Historical cost determines the sales price. Use of direct costs makes the audit simpler. Absorption costs have an advantage only in cases where it is desired to confuse the auditors.

2. *Monopoly Products*

   Predetermined costs are applied by arbitrary formulae to determine price. Direct costs give management a better guide to maximizing profits wherever demand is somewhat elastic.

3. *Competitive Products*

   Predetermined costs provide a starting point for pricing. Direct costs give management a distinct advantage over competitors who price on "whole" costs because it's so much easier to see quickly the profit results of various alternatives.

4. *Liquidation Sales*

   Costs have no influence on price but the impact of the loss is minimized with direct costs because fixed charges are not included in inventory.

FIGURE 5

A.B.C. MANUFACTURING CO.

REPORT ON PROFIT PLAN ($000 Omitted)

	THIS MONTH ACTUAL	NEXT MONTH FORECAST	12 MONTHS FORECAST
NET PROFIT FOR PERIOD			
Master Profit Plan	$612	$402	$4,900
Actual and Latest Forecast	597	422	5,007
Variance	(15)	20	107
ANALYSIS OF VARIANCE			
Sales			
Volume	115	100	400
Price	(85)	(60)	(360)
Selling Expense	(10)	(5)	10
TOTAL SALES	20	35	50
Manufacturing			
Labor and Expense	(58)	(47)	(250)
Material Usage and Scrap	5	8	85
Purchase Price	10	10	120
TOTAL MANUFACTURING	(43)	(29)	(45)
Administration			
General Administrative Expense	6	10	66
Idle Plant	2	4	36
TOTAL ADMINISTRATION	8	14	102

(Denotes red figures)

In conclusion, there is general agreement that it should be the function of accounting and finance to present to operating management a clear picture of the profit results of the various alternatives in any pricing situation. No matter how simple or complex the problem, the direct cost or P/V approach provides the best basis for both short- and long-range policy decisions. Measurement of results achieved by each major executive in terms of the master profit plan shows how well these policy decisions are carried out. The analysis of variance from planned profit is easy to understand and provides a real dynamic force to improved performance. However, since direct costs are relatively new to most executives who make pricing decisions, they must be taught to use these new concepts. By taking the lead in promoting this approach and educating the operating executives, accounting and finance officers will assure their proper role in these vital policy decisions.

The President Looks at Co

Herbert P. Buetow

IN OUR company we have to a certain extent divided the functions of the controller into two parts—one part having to do with financial accounting, auditing, and taxes and the second part performing all duties revolving around operational accounting and analysis. It is this second function which I would like to discuss, although I realize both are equally important. Actually in a small company the controller should control all functions but as the company grows larger there does come a time when the functions can be divided.

To begin with, I should like to stress that the controllership function is a definite part of management since our whole concept of control is built around profit. It might help you to know something about our plan of organization.

Today we have 36 product divisions, each with a general manager and each general manager with his own sales manager, production manager, and technical director. Several of these product divisions which are related are then brought together as a group headed up by a vice president, of which we have eight.

Each manager is fully responsible for the profits of his division and, as you might suspect, these men follow their respective operations as closely as would the president himself in a smaller business. Because these product divisions are in some ways like 36 separate kingdoms with as many different languages, it does take a little doing to provide over-all control from a profit standpoint. That's where the controller comes in.

The controller's department at 3M is directly related to operations and is responsible for evaluating results of the various divisions. The controller weaves in and out of the picture—in production, in sales, in the laboratory, and in other areas.

The controller assigns a man to each major operating product division—and in each case the division controller remains directly responsible to the controller. In this way, we feel that the controllership function can remain objective and unbiased in its approach to analyzing the operations of the various divisions. We believe this is important.

There are two objectives of the controllership function:

The first, to establish a long-range profit target for each product division in terms of percentage of profit to sales. These targets are established by top management with the division head after careful study of all pertinent factors.

The second, to prepare annual forecasts of sales, costs, and profits for each operating division and subsidiary, and to review them at monthly and quarterly intervals with management. The controller sits in on these meetings—not as a policeman, but as a specialist—and in this way the controller actually helps us to measure the successful managers.

Profit targets—expressed in terms of sales-profits ratios—are established by top management with the divisional heads. In the older divisions of the company—masking tape and coated abrasives, for example—the targets were based on a careful study of the history of each division. On the new divisions—ribbon products and chemicals, for example—the ultimate profit target is established after a careful study of the product and the markets in which it will be sold. A progressive target may be established over a shorter period of three to five years, leading to the ultimate profit target after that period of time.

We do not change these long-range profit targets even though they are not met currently. After all, it's a little like shooting at a rifle target. If you don't hit the target at first, you keep firing away until you consistently hit the bull's-eye.

There are, of course, many systems available to keep us on target, such as standard costs, budgets, comparative statements, etc., but we haven't gone in much for these controls as a means of attaining objectives. Our real objective is to keep our operating people thinking in terms of doing things better—not that they don't do a good job by themselves on this score.

We have found that it pays to formalize the various programs designed to reduce costs or achieve savings. We found that it also pays to define the area where improvement is needed, develop specific programs to do the job, and then chart the progress. We call these "Programs for Profits." And frankly, I don't know how anyone in our organization could be against profit improvement. The real crux

(Continued on page 136)

HERBERT P. BUETOW, president and a director of Minnesota Mining and Manufacturing Company, St. Paul, Minnesota, started his career in 1913 as an office boy and worked up through accountant, staff accountant, senior accountant, auditor, controller, treasurer, director, and executive vice president to his present title in 1953. A member of Controllers Institute of America, he has served as a national director and a vice president, as president of the Twin Cities Control, and a trustee and member of the Advisory Council of Controllership Foundation.

e Controllership Function

L. A. Miller

IT WOULD BE IMPOSSIBLE for me to deal with this subject without first telling you just a little of the climate in which our company operates. As our name implies, we are in the grocery business—a business in which continued existence, let alone progress, requires constant change. The grocery business is dynamic. Within our lifetimes we have seen the tremendous change that has taken place, not only in thousands of better, more convenient products, but also in the growth of today's supermarket.

The food business is highly competitive —the profit margins are low—and thus high unit volumes are of paramount importance. These factors are largely responsible for an almost continuous stream of promotions directed to both the trade and the consumer.

In today's competitive situation, pricing is of utmost importance. In some categories of food products the difference between the better brands is sometimes so little that the difference of 1¢ in the unit price is enough to shift consumers from one brand to another. Thus, not only selling prices, but discounts and terms of sale are often of great significance.

The making of decisions quickly—based on accurate, up-to-date information —is essential. Coupled with this is the fact we believe implicitly that profit is something you plan for—in specific dollars. It is not what happens to be left over after you've paid the bills!

Hence, we have come of necessity to the conviction that planning our future and setting up bench marks to assess our planned progress at regular intervals are absolutely indispensable to our operation.

With a narrow profit margin, under conditions of fast-moving, highly flexible competition, and where last minute impulse can thwart our courtship of the consumer, we're cost conscious. Better, let me put it profit conscious. And I want our controller to keep us that way—every member of the management team, and through them, every GF employe.

Now let me make it very clear that I do not perceive the control function, however well discharged, to be any substitute for executive ability in line management. As a matter of fact, I don't think it could be properly executed except in a sound organization.

Effective planning for future arrival must and can be achieved only through the involvement of the whole organization. Every single member of the management team must accept his share of responsibility for the company growth and profitability or the controller's best efforts are clearly in vain, no matter how brilliantly conceived.

If I may coin a phrase, I believe our "cost conscience" must be within ourselves, not just in the controller!

So, I see the control function as a service, an assist, an offer of help and counsel to the rest of us in management. The very last thing I want to see is the controller playing the role of chief critic or a kind of respectable crime reporter (with the president presumably as the doubtful sole beneficiary of his efforts). Least of all do I want to see him in the role of detective whose greatest joy in life is to find some unauthorized entertainment expense on a salesman's expense report. No controller whose associates show their affection and esteem by calling him Dick Tracy has any place in our company!

No, the control function can achieve its rightful mission only if the controller is able to earn the respect of his associates both in a personal sense and for the concrete assistance he can give them in meeting their company objectives.

In essence, the controller should provide protection for the assets of the business, be able to read its pulse accurately, and furnish in the language of whatever part of the company needs it, reliable advice covering trends and experience on which decisions for action may be made with confidence.

I can find no quarrel with the six primary functions spelled out by Controllers Institute of America back in 1949. My understanding of these, interpreted to our own needs, would have the controller, ideally:

1. Furnishing me and my staff an overall plan for maintaining and controlling our progress to previously agreed-upon objectives;

2. Providing us with periodic assessment of our performance measured against plans; *(Continued on page 139)*

L. A. MILLER has spent his entire business career with General Foods Corporation. He received his B.A. degree from Albion College in 1933 and his connection with GF started at Battle Creek, Mich., where he joined the Employment Department of the Post's Cereals Division immediately after graduation. His experience has taken him through the fields of personnel manager, production manager and marketing manager at Post's Cereals. In June 1953 he came to Canada to assume the position of president and general manager of General Foods, Ltd., Toronto.

Plant Depreciation in 1955

U. S. corporations in 1955 set aside a record amount of money to cover depreciation of plant and equipment and to pay off debts. The Department of Commerce reported that corporations in 1955 retained somewhat less of their earnings than in 1950 but that amounts for depreciation and amortization exceeded $14.5 billion. The survey attributed the rise in the depreciation and amortization accounts to the greater size of total industrial facilities to be considered, as well as the government program to induce expansion of defense-related facilities.

Tax Court Decisions

The constructive average base period net income determined under Section 722 excess profits tax relief provisions must also be used to compute Section 26(e) income tax credit, according to a Tax Court decision.

The Right to Negotiate Contracts

New rules contained in Revision 10 of the Armed Services Procurement Regulation, defined the right of the Military Departments to negotiate contracts during the duration of the national emergency. The rules permit negotiations of contracts involved in surplus labor or disaster area programs; purchases of nonperishable subsistence; small business programs; research and development costing $100,000 or less; and in cases where negotiated procurement is justified by the secretaries of the Military Departments.

Unfair Labor Practices

The Supreme Court has agreed to decide on whether state courts may ban unfair labor practices by a union against a company in interstate commerce or whether this power lies only with the Federal Government.

Traveling Taxtakers

IRS has sent a small group of employes to various foreign countries to assist United States citizens abroad with their income tax returns and problems. Included among the IRS representatives going abroad are six special agents who will conduct schools of instruction in the preparation of income tax returns for military personnel in Europe and the Far East.

Inventions and Capital Gains

An inventor is entitled to capital gains treatment for payments received for transfer of exclusive right to manufacture, use, and sell devices under his patents, according to a Tax Court ruling.

Government Lease-Purchase

More lease-purchase projects to meet government needs for office space are planned by General Services Administration. The amount involved in this second series of projects will come to $200 million, all of it to be committed in the 1956 calendar year. The Government needs combination courthouse-office-post offices, the same kind as authorized in 1955.

Tax Collectors Have a Heart

District Directors of Internal Revenue are now authorized to accept offers of compromise in cases where the unpaid amount of tax, interest, penalty, etc., is less than $5,000.

ODM Reinstates Tax Write-Offs

Applications for 246 tax certificates covering investments in defense production projects have been reinstated by the Government. ODM announced that it has repealed the rule passed August 11, 1955, which denied certificates of necessity to applications filed less than 60 days before August 11. The decision to repeal the rule was made after consultation with the Defense Mobilization Board, and affects applicants who had requests on file for 21 different expansion goals.

Government Patents

An additional 905 government-owned patents, available for private use on a royalty-free basis, are described in the "Patent Abstract Series Supplement" issued by the Office of Technical Services, Department of Commerce.

Life Insurance Costs

Rev-Rule 55-747 prescribes basis for use in computing the current cost of life insurance under a life or endowment policy held by employe's trust.

Where Our Tax Dollars Go

The Naval Medical Research Laboratory at Camp Lejeune, North Carolina, has completed a study on common qualities found in the auto driver who has had less accidents and fewer traffic violations. According to this survey, a good motorist does not care for liquor parties; goes to church often; does not like to see women smoke; is not interested in betting on horses; is more concerned over his health; does not lose his temper; does not pick fights; is happy on his job; likes poetry; grows plants and flowers as a hobby; reads history; attends lectures on serious subjects; does not want to be an auto race driver; has had a happy childhood; has few family arguments; is interested in education and science; and does not favor socialism.

—BENJAMIN R. MAKELA

APPLYING RECORDAK MICROFILMING TO BUSINESS ROUTINES — NO. 14 IN A SERIES

More than a million credit checks a month . . .

but filing them this way is a snap

General Petroleum Corporation—the Socony-Mobil affiliate in the far west—cuts billing costs approximately 50% by photographing credit checks in a Recordak Microfilmer

In one minute the girl at the Recordak Microfilmer can file more than 300 credit checks on film.

This fast, low-cost operation allows many short cuts. Some, no doubt, might well be applied to your own routines.

Cuts paper work. Photographing the original Mobil credit checks eliminates the need for the carbon copies formerly kept as the office record. (The originals, as before, are returned to the customer with his bill.)

Handling only one paper record for every purchase—instead of two—saves time all along the line. For example, four days a month were formerly spent cleaning out drawers and labeling storage boxes.

Turns file space into office space. A year's supply of credit checks—on Recordak Microfilm—are now filed at the finger tips in four file drawers instead of in 1800 large boxes. A space saving of at least 98%.

Eliminates "can't find's." Now, when customers ask to see past records . . . they can be located in a matter of minutes, and viewed—or duplicated—in a Recordak Film Reader. Since the adoption of Recordak Microfilming there hasn't been a *single* case of a ticket not being easily found.

Permits centralized accounting. Branch offices now forward credit checks to home office where dual microfilm copies are made simultaneously—one set for branch. *Despite a three times' increase in ticket volume in recent years same staff easily handles the job!*

"Recordak" is a trademark

"SHORT CUTS THAT SAVE MILLIONS"
This valuable free booklet shows how Recordak Microfilming is cutting costs for over *100 different types of business* . . . thousands of concerns.

RECORDAK
(*Subsidiary of Eastman Kodak Company*)

Originator of modern microfilming—and its application to accounting routines

MAIL COUPON TODAY

RECORDAK CORPORATION (*Subsidiary of Eastman Kodak Company*)
444 Madison Avenue, New York 22, N. Y.

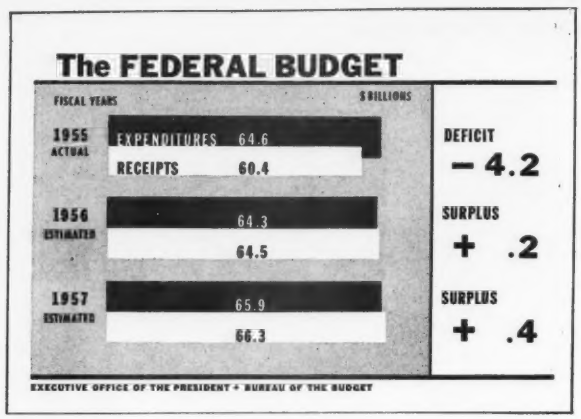
U-3

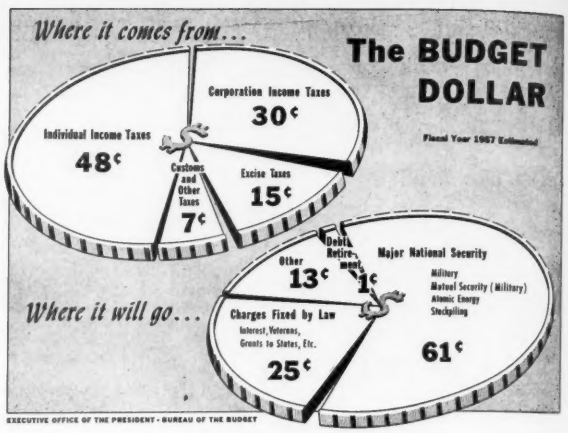
Gentlemen: Please send free copy of "Short Cuts That Save Millions"

Name_____ Position_____

Company_____

Street_____ City_____ State_____





Hughes Discusses 1957 Budget

IN A STATEMENT on the federal budget for fiscal 1957, which was sent to Congress on January 16, 1956, Rowland R. Hughes, Director, Bureau of the Budget, noted that in the first budget message, in 1954, the President said his budget policies were designed to achieve "the twin goals of a balanced budget and tax reductions."

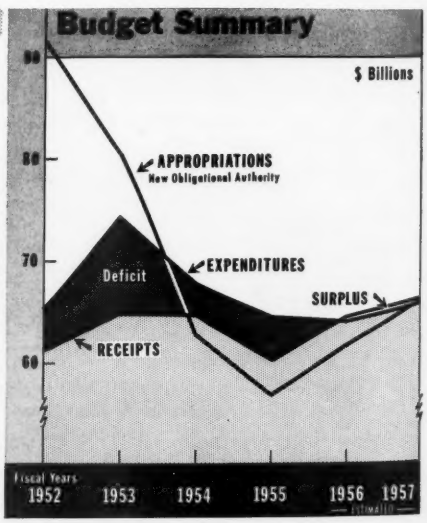
A tax reduction, Mr. Hughes said, was actually achieved with the President's first budget, which made possible an historic $7.5 billion tax reduction and reform program, which was highly advisable during the transition to a peacetime economy then taking place. A balanced budget for 1957, Mr. Hughes continued, is being recommended to the Congress, and it is also estimated that the budget will be in balance for the fiscal year 1956. It is thus projected that the Administration's second and third budgets will not only be brought into balance but will produce surpluses which will allow modest reductions this year and next in the national debt.

The significance of the projections of two balanced budgets in a row and of plans to reduce the national debt, Mr. Hughes continued, is highlighted by the fact that in only three of the past 25 years has the federal budget been in balance or has there been a reduction in the national debt.

Mr. Hughes stated that the present encouraging prospect arises from a combination of factors: Revenues are increasing as a result of current unparalleled prosperity. The constant care for efficiency in government operations and an alert guard against waste and extravagance have enabled the Administration to reduce actual government expenditures by $10 billion over the past three years. The public confidence born of the Administration's prudent fiscal and credit management remains a strong energizing factor in the economy.

The new budget provides for the greatest military power in peacetime history and, as an essential element in providing for national security, for strengthening the defenses of the Allies. It calls for the highest expenditures ever made for the atomic energy program, and also for undertaking some new and expanded programs of vital importance to the national well-being and economic growth.

Accordingly, Mr. Hughes continued, the balance we expect to achieve in the Administration's second and third budgets is a balance at a high level of receipts and expenditures. This calls for the utmost cooperation between the executive and



legislative branches to prevent increases in expenditures or reductions in receipts that would create a deficit.

Efforts to obtain additional economies in government operations, Mr. Hughes concluded, must and will continue. With the cooperation of the Congress, the search for further savings in government expenditures which can be achieved while strengthening our security and enhancing opportunities for human well-being and economic growth will be pressed relentlessly and continuously in the coming year by the entire Administration.

Mr. Hughes, who is a member of Controllers Institute of America, was vice president of the National City Bank of New York before accepting the position as Director of the Bureau of the Budget. Mr. Hughes has announced his resignation as Budget Director effective April 1, 1956.

Treasury Ruling on Group Trusts

Manufacturers Trust Company, New York, has received from the United States Treasury Department a new ruling approving the eligibility of its group trust program—a commingled retirement fund—for exemption from federal income taxes under Section 501 (a) of the Internal Revenue Code.

Under the new ruling, which resulted from an application by Manufacturers Trust Company, the Treasury Department approved such a fund as part of the pension or profit-sharing plan of an employer for the exclusive benefit of his employes, under Section 401 (a), and ruled that the group trust is not subject to income tax.

Commingled funds, now that they have the Treasury Department's approval, should meet a long-felt need of employers concerned with the investment of funds in employe benefit plans, especially those with a small to moderate number of employes.

Under the group trust, the employer with a smaller fund to invest for the benefit of his employes can provide his pension and profit-sharing funds with the same investment advantages, operating economy and administrative savings enjoyed by the largest employe benefit trusts. For many employers with small funds, critical lack of diversification and the ever-present need for liquidity have caused them either to forego installation of the retirement plan or to adopt other methods of funding.

A commingled trust of the type of the group trust enables the firm to formulate its own pension or profit-sharing plan and, after Treasury qualification of the individual details, to enter into a trust agreement with the bank as trustee. This agreement provides that the trustee may commingle the contributions in the group trust with those of other similarly qualified plans.

HOW XEROGRAPHY

cuts duplicating costs $25,000 a year

...speeds paperwork at

Carrier

for

Organization Charts • Report Reproduction • Process Charts
Price and Data Specifications
Accounting Forms • Manuals
Production Forms and Others

The first Commercial Air Conditioner for lower installation costs.

Air-conditioned America looks to Carrier for leadership in the controlling of temperature, humidity, movement, and cleanliness of air inside a building. Ever since Dr. Willis H. Carrier fathered the art in 1902, his firm has been converting more and more people in business, industry and government to the advantages of healthful air conditioning.

Because Carrier Corporation offices girdle the globe, internal communications consume much paperwork and ... prior to the installation of xerography ... time. Now, Carrier is saving more than $25,000 a year with this modern, fast, dry, electrostatic copying process. Gratifying as this is to Carrier, the big advantage is the saving in time.

More than 100 offset paper masters a day are prepared at Carrier, with preparation costs dropping from $3.00 apiece by the former method to 50 cents by xerography. From such masters, multiple copies are then run off on offset duplicators.

Versatile xerography provides the solution to your copying needs. Original documents are enlarged, reduced, or copied size to size. Masters are made from opaque originals or from copy on both sides. Let us show you how xerography can cut your duplicating costs for all types of paperwork.

Write for proof of performance folders showing how companies of all kinds are cutting costs and speeding paperwork with xerography.

DO YOU KNOW...

Xerography copies onto paper masters and metal plates for OFFSET Duplicating

•

Copies onto translucent intermediates for DIAZO Printing

•

Copies onto masters for SPIRIT (and other fluid-type) duplicating

•

Copies HALFTONE & LINE subjects onto paper masters for offset duplicating

•

UP TO EIGHT COPIES Including a paper master or translucent intermediate can be made from one xerographic exposure

THE HALOID COMPANY
56-72X HALOID STREET, ROCHESTER 3, NEW YORK
BRANCH OFFICES IN PRINCIPAL U.S. CITIES AND TORONTO

XEROX — PRODUCTS FOR XEROGRAPHY — THE HALOID CO. ROCHESTER, N.Y.

XEROGRAPHY
(ZE-ROG-RA-FEE)
The fastest, cheapest, most versatile way to make masters for duplicating

Pandick Press, Inc.

SPEED
NIGHT & DAY
EXPERIENCE
Personalized Service

All of these reasons . . . and more . . . make *"Printed by Pandick"* a guarantee of the finest and most complete printing service available. For more than 30 years, we have printed thousands of important documents such as Registration Statements, Prospectuses and Annual Reports.

Whether your corporation has the ***smallest*** or the ***largest financing on record,*** Pandick Press provides you with the highest quality printing service obtainable.

Pandick Press, Inc.
Established 1923

22 THAMES ST., NEW YORK
WOrth 4-2900 NY 1-3167

71 CLINTON ST., NEWARK, N. J.
MArket 3-4994

Leaders in Financial Printing Since 1923

F B&D

Depreciation and Depletion Studies
Valuations and Appraisals
Organization and Business Reports
Securities Registration Investigations
Design and Construction
Industrial Engineering

Ford, Bacon & Davis
Engineers

39 BROADWAY, NEW YORK 6, N. Y.
CHICAGO · LOS ANGELES

Profile of a Typical Investor

The typical mutual fund investor aims at a retirement income derived from his investment. He has an annual income of $5,000.00 to $7,500.00, and is either a professional man (or woman) around the executive-administrative level of employment. These findings, and others, are revealed in the survey on mutual fund ownership conducted by the National Association of Investment Companies.

The group found that the so-called typical owners differed quite a bit when the method of the investment program is taken into consideration. The typical owner of mutual fund shares who is classed as a "regular" account holder with no formal plans for adding to his holdings was found to be 54.3 years old, with an annual family income of $6,987.00, and owned $4,920.00 of mutual funds. His holdings are spread between 1.73 different funds and his most recent purchase was a $1,055.00 investment in mutual funds.

As to other assets, the regular account owner also holds 4.8 other corporate stocks, with a total investment of $12,940.00 in such other holdings. His bank account and savings bonds add $3,612.00 to the family nest egg, but he owns only $9,235.00 of life insurance.

The accumulation-plan holder—one who invests through periodic accumulation plans—is only 41.7 years old and has a family income of $6,375.00. His mutual-fund holdings total $1,750.00 and he concentrates on one fund alone, investing $49.00 regularly.

This type of investor has only 1.3 corporate stocks, valued at $1,817.00, plus an additional $1,825.00 in banks and savings bonds. Partly as a result of his younger age, he has $12,375.00 life insurance in force.

One feature common to both classes of investors, is the fact that owners of mutual funds like the diversification feature of their holdings. Management of funds is the second most popular reason for owning such shares. The convenience of the method of investing is third.

Pooled Investment Trusts For Small Firms

The Continental Illinois National Bank and Trust Company of Chicago has established a trust to provide a means for funds of qualified pension trusts and profit-sharing trusts to be pooled for investment. Two funds are created under the trust so that one can be invested completely in equity type securities and the other in fixed income type securities. The trustees of each single participating plan may place all or a portion of their assets in either or both funds in whatever proportions they choose. IRS has ruled that the new trust qualifies for tax exemption.

AN IMPORTANT MESSAGE FROM THE SECRETARY OF THE TREASURY

A THREE-WAY PARTNERSHIP THAT BENEFITS EVERYBODY

How the public, the magazine publishers and the U. S. Government cooperate to help keep the nation's economy growing always stronger

As a reader of this magazine, the chances are that you belong to a "three-way partnership" dedicated to intelligent saving and a sound economy. For you probably buy United States Savings Bonds. Nearly 40 per cent of the families in America own them. Most Bond-owning families have saved enough in this way to pay for a serious illness, to provide something for old age, to make a down payment on a house or take a long trip. And perhaps most important, these families have the wonderful feeling of security that the ownership and holding of these Bonds bring.

Americans today are buying Savings Bonds at an annual rate of more than $5,000,000,000. In the time it takes you to read this page, approximately one minute, America will buy $10,000 worth of Series E and H Bonds!

How, you may ask, did this come about?

It came about through a great program of voluntary cooperation with the Treasury Department on the part of many groups, organizations and citizens. The magazine publishers have from the beginning been among the major supporters of the Bond program. They contribute millions of dollars' worth of advertising space each year.

Full credit for making Bond-buying a national habit is due that "three-way partnership"—the American citizen, the Government, and the volunteer groups, such as the magazine publishers, who bring buyer and seller together through the pages of their publications.

All three partners will profit further by continuing to help increase the nation's saving through the sale of Savings Bonds.

For so effectively promoting the national welfare I wish, on behalf of the Government, to extend to the magazine publishers our most sincere thanks.

Secretary of the Treasury

ADVERTISING SPACE CONTRIBUTED BY THE CONTROLLER

Paging the New Books

HANDBOOK FOR SECRETARIES TO ACCOUNTANTS, CONTROLLERS, TREASURERS*

By Besse May Miller

Reviewed by MARY PENA

Encompassing a unique treatment of problems encountered by secretaries to controllers or treasurers and secretaries in public accountants' offices with the standard information usually found in regular handbooks, Besse May Miller's book takes an interesting approach to these subjects through liberal use of illustrations and examples.

What sets this book apart from the usual handbook is the distinctive treatment given chapters on problems encountered by secretaries to controllers and treasurers. Because they come in contact with a great deal of accounting information, helpful references are made to insurance, securities, stocks and bonds, and bank reconcilement. There are also clear explanations of the various reports handled.

The annual report gets special treatment, including suggestions for preparation of material for the printer and the explaining of maps and charts that are presented in the report. Tips on statistical typing and correct placement and purpose of financial statements are given special attention.

Up-to-date information is given about tax requirements and reports dealing with withholding taxes, unemployment laws, etc.

Of particular interest is the glossary of accounting terminology; these definitions are explained in an effective manner through the use of examples which are clearly understood.

For the secretary to a public accountant —treated in Part II—there is a concise treatment of contact with clients; reports to them; preparation of files, including how to set up files (alphabetical and numerical); the actual filing; follow-up; and the transferring of files after the job has been completed.

However, this book also is a ready reference to general office information, including handling of mail, planning a business trip, setting up follow-up files, and preparation of payroll records. There is a guide listing the proper forms of address. In the section on punctuation, vocabulary, and grammar, special attention is given to the techniques of letter-writing. A "right word and expression" chapter lists substitutes for unnecessary words and phrases as a step to improved letter-writing.

In effect, this book is a valuable guide to secretaries in these fields because it comprises not only the particular information related to each individual job but also those general bits of information that are needed for an efficient office.

NOTE: *Miss Pena is secretary to George W. Schwarz, vice president and general manager, General Products Division, Wyandotte Chemicals Corporation, Wyandotte, Michigan.*

* *Published by Prentice-Hall, Inc., Englewood Cliffs, N. J. 438 pages. $8.95.*

INDEX TO FEDERAL RECORD-KEEPING REQUIREMENTS*

A comprehensive compilation of almost 1,000 citations to every administrative record-keeping rule of the Federal Government. Why citations? Because the texts of the regulations, if printed in full, would result in a volume too bulky and unwieldy for easy reference use. Paraphrasing a regulation would also be unsatisfactory. To interpret a regulation properly, one needs the complete text.

Retention schedules cannot be "canned." No packaged schedule, telling what to keep and for how long, can be developed for indiscriminate application to every type of record in each organization. A retention schedule is as individual as a doctor's prescription. It must be based on legal requirements plus your day-to-day operating needs, historical requirements and management's own discretion.

Legal requirements, however, provide a logical, factual point of departure for formulation of a balanced retention schedule. Therefore, Research Department of the National Records Management Council, gathered together every record-keeping requirement of the Federal Government and compiled this index for management to use in establishing sound retention policies.

The index shows you precisely which regulations apply to your company, to your industry; leads you directly to the official publication where the text of the regulation appears—the *Code of Federal Regulations,* supplements to the *Code,* or the *Federal Register;* gives you the basic legal information you need to develop a records program that meets government requirements and the operating needs of your company.

* *Published by the National Records Management Council, Inc., 555 Fifth Avenue, New York 17, N. Y. $2.00.*

DATA PROCESSING BY ELECTRONICS*

Available literature on the subject of data processing by electronics is useful and impressive. Both the complex technical features and the broad implications of these systems have been well expounded. The aim of this study is to find the middle ground—to convey to the interested reader, who is not a specialist in the subject, a basic understanding of the operation in use and the electronic data-processing system.

Part I of this study gives a general description of electronic data-processing systems and the factors involved in considering their use. This includes ten pages or so on preparing for the electronic system.

Part II of the study discusses the basic theory, systems components and techniques in application. Perhaps one of the most valuable features of this section is an illustration of programming plus an accounting application.

The Appendix, consisting of almost 50 pages, contains summaries of the principal functional characteristics and the costs of purchase or rental of certain electronic data-processing systems, including, in some instances, certain items of input preparation equipment. Systems of 11 different manufacturers are described.

* *Available upon request from Haskins & Sells, 67 Broad Street, New York 4, N. Y.*

PROFIT SHARING FOR SMALL BUSINESS*

By J. J. Jehring

A booklet designed to help formulate a profit-sharing plan on the basis of the experience of successful plans in small business. It contains a sample deferred profit-sharing plan, formulas from 21 successful cash, deferred, or combination profit-sharing plans, and a special check list against which deferred profit-sharing plans may be compared.

** Published by the Profit Sharing Research Foundation, 1718 Sherman Avenue, Evanston, Ill. $1.00.*

CASE STUDIES IN INDUSTRIAL MANAGEMENT*

By J. M. Juran and Norman N. Barrish

This book aims to approximate a laboratory for the course in industrial management. It depicts the operation of a single company, Burndy Engineering Company, and shows how this company designs, makes and builds its products; how it conducts its personnel relations; how it controls its costs, schedules, and quality; how it plans its manufacture; how it repairs its equipment; and how it finances, organizes, and coordinates its activities.

** Published by McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 6, N. Y. $5.00.*

OTHER BOOK ENTRIES

GUIDES TO EFFECTIVE PRODUCTION MANAGEMENT: COMMUNICATION—COORDINATION—CONTROLS. *American Management Association, 330 W. 42nd Street, New York 36, N. Y. $1.75 ($1.00 to AMA members).*

COMPANY EXPERIENCE IN IMPROVING OFFICE ADMINISTRATION. *American Management Association, 330 West 42nd Street, New York 36, N. Y. $1.75 ($1.00 to AMA members).*

ELEMENTARY ACCOUNTING. Fourth Edition. By John Arch White and Marcus H. Bean. *D. C. Heath and Company, Boston 16, Mass. $5.75.*

CONTROLS AND TECHNIQUES FOR BETTER MANAGEMENT. *American Management Association, 330 West 42nd Street, New York 36, N. Y. $1.75 (AMA members $1.00).*

PENSIONS: PROBLEMS AND TRENDS. Edited by Dan M. McGill. *Richard D. Irwin, Inc., Homewood, Ill. $4.50.*

JUST PUBLISHED · · ·

ELECTRONICS IN BUSINESS

A CASE STUDY IN PLANNING:
PORT OF NEW YORK AUTHORITY

Every financial executive can profit from the actual experience of an organization which has installed electronic data-processing machine systems in the office.

The potential applications of electronic machines in office operations bear directly on efficiency, productivity and correlative cost relationships, systems, procedures, and capital investment—all matters of direct concern to corporate controllers. As a result, Controllership Foundation is making available the information and experience gained by those who are now using EDP.

THIS NEW FOUNDATION STUDY

written by its Research Director, Herbert F. Klingman, is a thorough and step-by-step account of the Port Authority's planning, investigation and preparation for EDP.

Special sections of the study cover:

- ✓ Early Phases of Electronics Research
- ✓ Planning Future Electronics Research
- ✓ Organizing and Staffing for Electronics Research
- ✓ Re-Orienting the Port Authority's Electronics Research
- ✓ Converting to Electronic Accounting

Included in the appendix are the functional specifications of electronics equipment ordered, forms prepared to grade applicants for the position of Electronics Systems Analyst, and the Oral Test Rating Sheet.

Paperbound $4.00

($3.00 to members of Controllers Institute of America)

CONTROLLERSHIP FOUNDATION, INC.
Research Arm of Controllers Institute
TWO PARK AVENUE · NEW YORK 16, N. Y.

Ways to Combat Today's High Clerical Costs

WITH MANAGEMENT in the paradoxical position of having to cut clerical costs in the face of ever-increasing volume, it's only good business to take stock of the possible avenues open to escape this dilemma.

To get the viewpoint of the people whose business it is to help companies out of situations like this, the question was put to Michael R. Notaro, president of Statistical Tabulating Company, Chicago, Illinois, whose five offices provide outside punched-card tabulating service to serve clients with or without their own tabulating departments.

"As we see it," says Mr. Notaro, "management has two alternatives in meeting the challenge of today's rising clerical costs: One is to install its own tabulating department to take advantage of the speed and economies of automatic punched-card tabulating methods; the other is to turn to the service bureau organization in order to get all the benefits of the latest tabulating facilities and automatic techniques without the worry of installing equipment or hiring competent personnel.

"Most businessmen today see the value and speed of automatic methods. However, there still is an erroneous impression that punched-card tabulating is only for 'big business' and that it is too rich for the average company. The fact is that literally any company can use punched-card accounting to advantage, even though the application may not warrant installation of equipment."

How does a company determine when it should install its own equipment or turn to outside facilities to take advantage of automatic punched-card tabulating methods? To answer this question, Mr. Notaro pointed out the following factors for consideration to help management decide which alternative is best for a given situation.

1. The volume of tabulating work required.
2. The regularity of projects involving tabulating operations.
3. The availability of competent personnel to staff such a department.
4. The feasibility of investing permanently in equipment and personnel, in comparison with the cost of having the work done outside.
5. The availability of space for these additional facilities and staff.

In the light of experience, most companies do not have enough tabulating work to justify the installation of costly equipment and the procurement and maintenance of an adequate staff. But, this does not mean that they must forego the benefits of punched-card accounting methods.

The outside service bureau provides the practical answer if the first alternative is out of the question. Here are specific situations where outside assistance can handle the work faster and cheaper than can be done with even minimum company-owned facilities:

1. When no owned tabulating facilities are available and there are not enough tabulating projects to justify the equipment and personnel required.
2. When planning to organize a tabulating department, one can begin by turning over work to an outside organization to "guinea-pig" the operation without capital investment. This helps avoid errors commonly made when a department is first installed.
3. When launching an exploratory program into a new field, it is simpler and far more economical to discontinue an outside service than to scrap an owned installation.
4. On long-range programs when it is impractical to divert the time and effort of regular staff members to emergency problems.
5. When speed is such a factor that outside assistance is needed to complete the assignment on schedule.
6. When a fresh approach may be beneficial in solving problems that have plagued a company.
7. When an unbiased check is needed on clerical efforts.
8. And, of course, in taking care of the old nemeses—peak loads and overloads.

No discussion of this subject would be complete without mention of the additional services provided to company tabulating departments by the outside service bureau. For example, specialized jobs frequently require machines that company installations do not have and which the service bureau maintains for economical service to clients.

Other services include handling peak loads, avoiding overtime, counteracting absenteeism, handling special assignments, testing new applications, supplying overnight or week-end service, advice on methods and procedures, and meeting special emergencies.

In conclusion, Mr. Notaro points out the significance of the fact that few companies are willing to revert to manual methods once they have experienced the savings, speed, accuracy and other benefits of punched-card accounting methods. This is true whether the results are achieved through their own installations or through the broader avenues of the outside service bureau which makes it possible for any company to employ automatic methods to combat rising clerical costs.

Dates Ahead

MARK YOUR CALENDAR

CONTROLLERS INSTITUTE

1956 Conferences

1956	Conference	Hotel	City
APR. 26-28	Western	Arizona Biltmore	PHOENIX
MAY 20-22	Midwestern	Biltmore	DAYTON
SEPT. 30-OCT. 3	ANNUAL NATIONAL	Waldorf-Astoria	NEW YORK

OTHER ORGANIZATIONS

APR. 19-20	AMERICAN MANAGEMENT ASSOCIATION Financial Conference	NEW YORK
MAY 13-16	INSTITUTE OF INTERNAL AUDITORS	CHICAGO
MAY 13-17	NATIONAL ASSOCIATION OF CREDIT MEN	CINCINNATI
MAY 17-18	NATIONAL INDUSTRIAL CONFERENCE BOARD	NEW YORK

X-UM

Chase Manhattan Check Clearing beats the clock!

1. **AT 3:30 A. M.** an incoming plane lands at LaGuardia Field. Mail is quickly unloaded, rushed down runways to airport post office for sorting and picking up by a carrier service.

2. **BY 4:30** remittance letters are speeding across the Triboro Bridge headed for the New York Clearing House—just around the corner from Chase Manhattan headquarters.

3. **AT 5:20** Chase Manhattan messengers pick up correspondent bank remittance letters at the Clearing House, rush them to Chase Manhattan's waiting nightworkers for processing.

4. **10 MINUTES LATER** agile fingers and high-speed machines are clearing incoming checks. Carefully trained, highly efficient Chase Manhattan people work three shifts around the clock.

5. **JUST AFTER 6:00 A.M.** Chase Manhattan correspondent checks are completely processed and ready to be delivered to member banks at the New York Clearing House or shipped out of town.

Pictures show fast collection features . . . minute-by-minute movement of incoming remittance letters

Top-speed check clearing is one of the most important services The Chase Manhattan Bank performs for its correspondents.

As these on-the-spot illustrations of just one of many daily collections show, float time is practically nil.

Twenty-four-hour clearing service, backed by experienced personnel working with efficient business machines, makes this fast collection feature possible.

If you are not already acquainted with Chase Manhattan's Check Clearing Service, we invite your inquiry.

Write to 18 Pine Street, New York 15, for full information about our Check Clearing Service—another good example of why it pays to do business with Chase Manhattan.

THE
CHASE
MANHATTAN
BANK

(MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION)

A PURCHASING CHECK LIST

Office Supplies and Equipment

Are you getting maximum value from your office equipment dollar? Here's a check list, as developed by *Purchasing*, that will help you determine whether there's room for improvement in your present practices:

1. Do we keep a record of all the office machines we have in use?
2. Have we investigated the possibility of leasing or renting equipment, particularly high-speed accounting machines?
3. What have we done to solve the problem of frequent ordering of small stationery items?
4. Have we compared the advantages of testing supply items with the advantages of buying them by brand name?
5. Have we weighed the possibility of standardizing on furniture items?
6. Have we seriously tried to analyze office problems so that the correct machine or application can be used?
7. Do we use the office equipment salesman as a means of keeping up with the latest developments in machines and methods?
8. What are we doing about the replacement of all aging office machines so as to maintain the office at peak efficiency?
9. Have we investigated how new machines might fit into our office work flow, or how their potential can be fully realized?
10. Is our equipment adequate for the existing work load?
11. Conversely, is high-cost equipment doing low-cost work?
12. Have we compared the cost of service contracts with outside organizations against those of internal machine servicing?
13. Do we call in sales representatives to help solve involved records problems?
14. Have we tried to standardize our forms to make it more economical to buy standard folders and binders for them?
15. Have we studied our work flow?

Leisure and Productivity

AMERICAN PEOPLE have more time on their hands than ever before, reports the Chase Manhattan Bank in its January 1956 issue of *Business in Brief*. Shorter hours, earlier retirement, longer vacations and the two-day week end have brought dramatic changes in the American way of life. Past trends show that:

In the last 100 years the average work week has dropped from 65 to 40 hours a week.

Less than 25% of the people over 65 years of age work today, compared with nearly 40% in 1900. The average period a worker can expect to spend in retirement has doubled—from three years in 1900 to six years in 1956.

In addition, most workers now take a two-week paid vacation. In 1900, the average vacation was less than one week.

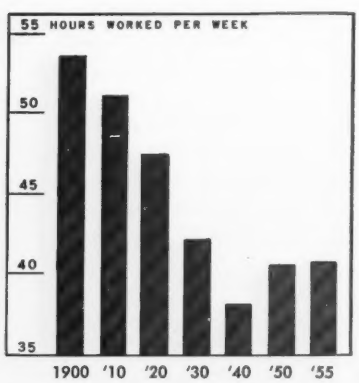
There are two major reasons why increased leisure has not cut back on economic growth. The first is that people live longer today. Working life expectancy has increased from an average of 39 years in 1900 to 43 years today. Increases in longevity have raised the average number of working years enough to offset in part the effects of earlier retirement and later entry into the labor force.

The second reason is that productivity has been rising very rapidly—and a great deal more rapidly than increases in leisure. As a result, the bank points out, people have been able to divide gains in productivity between leisure and higher income.

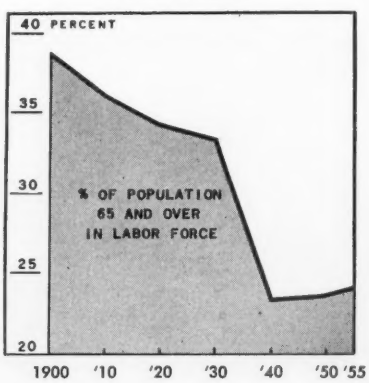
Of the total increase in productivity since 1870, about 65% has been taken in the form of higher income, while 35% has been taken as leisure. Since 1929, a 60-40 ratio has prevailed.

Chase Manhattan predicts that the average American is not likely to reverse his preference for more leisure. In all probability, he will continue to divide his gains in productivity into about two thirds more income and one third more time to enjoy the benefits of rising income. Thus, if productivity continues to increase at its long-run rate, the average American can realize his preference for leisure—in 25 years the 35-hour work week may be within reach. And, at the same time, production could continue to grow as fast, or faster, than in past decades.

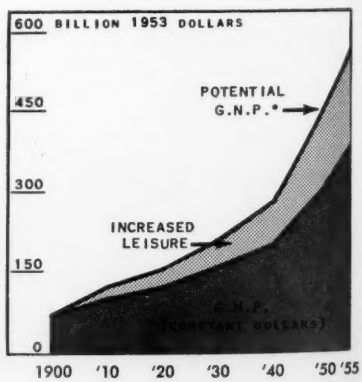
PEOPLE WORK SHORTER HOURS



. . . AND RETIRE AT AN EARLIER AGE



. . . STILL OUTPUT AND LEISURE HAVE RISEN TOGETHER



DATA: DEPT. OF LABOR, DEPT. OF COMMERCE AND W. LEONTIEF

* ASSUMES HOURS WORKED/WEEK AND RETIREMENT AGE OF 1900

WHAT IS YOUR COMPANY'S *BEST BUY* ? *in a Retirement Plan*

DESIGN... First in importance is selection of the proper plan or plans for your Company.

INVESTMENT... Once a plan has been established, nothing is more important than the proper investment of your funds.

We have had many years of experience in the design, administration, and investment of all types of employee benefit plans.

Write or telephone our PENSION TRUST DIVISION
22 William Street, New York

CITY BANK FARMERS TRUST COMPANY
Chartered 1822
HEAD OFFICE: 22 WILLIAM STREET, NEW YORK
Affiliate of
THE FIRST NATIONAL CITY BANK OF NEW YORK
Established 1812

Just Published!

BUDGETING, FORECASTING AND RETURN ON INVESTMENT

A collection of papers presented at the 24th Annual National Conference of Controllers Institute Los Angeles, California, November 6-9, 1955

Contents

"A Case History in Budgeting and Cost Control"—Kenneth W. Hill

"A Case Study in Budgetary Control"—W. R. Penney

"Hazards in the Cost-of-Capital Formula"—Wilson T. Seney

"Newspaper Unit Costs in Action"—W. J. Pennington

"Cost Allocation"—Burnell H. Miller

"Measurement and Control of Distribution Costs"—Stanley B. Murray

"Direct Costing"—Peter M. Chiuminatto

"What Does the Bank Controller Control?"—Hugh H. Wallace

"Aggregation of Gas and Oil Properties"—C. William Wittman, Jr.

"Simplification and Classification as a Tool of Management"—R. S. Geoghegan

$1.00

Address orders to

CONTROLLERS INSTITUTE OF AMERICA
Two Park Avenue, New York 16, New York

Please add city sales tax if order is for New York City delivery

Employers Cut Tax Filing Costs

Employers may save much tax paperwork by taking advantage of a special privilege extended by 27 of the state governments that collect income taxes on salaries and wages, says Commerce Clearing House. The familiar W-2 federal form of the Internal Revenue Service, which employers must prepare showing federal income tax withheld from employes, serves as a short cut that may be used profitably by employers when they file information returns required by the various states.

Many employers resort to what is termed "combined packets," a manifold system of carbon copies incorporating federal and state requirements. Such copies are acceptable in 21 states. A money-saving single typing can complete the form and its varying copies, under this system. "All copies must be legible," CCH warns, and adds, "The courtesy of using carbon copies is extended to all employers, even without permission in nine of the income tax states. Permission is granted upon application in the other 18 states, but one of these, North Carolina, takes salary and wage information only on punched cards."

Information additional to that required by the federal W-2 form varies according to state regulations. For instance, 23 states insist that their names be inserted. In 24 states, the marital status of the employe must appear. Alabama and New Mexico require the spouse's name, if any, but Utah and Wisconsin want the name of the husband in cases of married women employes only. In seven states, the number of dependents must be shown, but no state requires the names of dependents. The amount of federal taxes withheld is demanded in 13 states. Only six states do not insist on having social security numbers of employes, but three of these states prefer to have them. The District of Columbia also has requirements for its information returns, but these are limited to the showing of marital status and social security numbers. It does not require permission to use expanded copies of the federal form W-2 and will accept combined packets.

It must be emphasized, says the CCH report, that changes in these requirements may be made by administrative fiat in any of the 27 states and the District of Columbia. The states named in the CCH report as permitting use of duplicate federal form W-2 are as follows: Alabama, Arizona, Arkansas, California, Colorado, Delaware, Georgia, Idaho, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Minnesota, Mississippi, Montana, New Mexico, New York, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, Utah, Vermont, Virginia, and Wisconsin.

Duplicate W-2's may not be filed in Indiana, Kentucky and Missouri.

Boeing Tax Ruling on Profits

Boeing Airplane Company will appeal a Renegotiation Board ruling that it earned more than $9 million in "excessive" profits in 1952 to the Tax Court of the United States. J. O. Yeasting, vice president—finance, said that Boeing would base its appeal on the contention that the Board ruling was not "consistent with the intent and objectives of the Renegotiation Act of 1951 and was not supported by the facts and reasons disclosed in its statement."

Mr. Yeasting asserted the Board ruling was based primarily on "the 'return on net worth' criterion." This criterion, he charged, "is merely a statistical computation," hence should not be regarded as an accurate measure of the fairness of the prices charged the Government.

If sustained, Mr. Yeasting added, the Board's ruling "may seriously affect the company's ability to go forward with planned facilities expansion and research and development program." Should the Board decision be allowed to stand, he continued, Boeing will be "deprived" of everything it earned in 1952 specifically as a "reward for efficient cost performance on incentive contracts."

Automatic Embossing Machine and Tier for Metal Tags

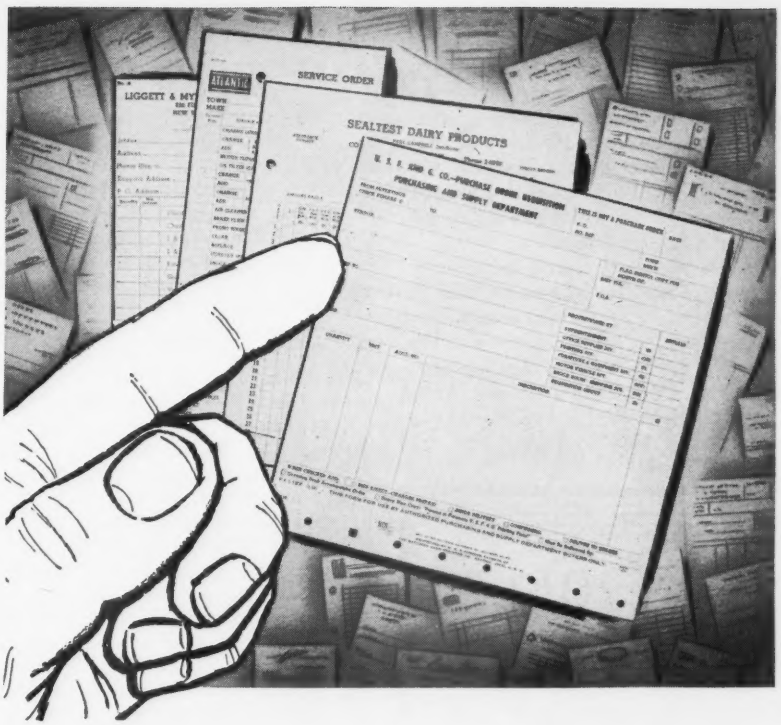
An automatic machine which attaches tying wires simultaneously with embossing fixed and variable data on metal identification tags at the rate of 75 per minute, has been announced by Dashew Business Machines, Inc., Los Angeles, Calif.

The wiring unit is the first completely automatic technique to replace costly, inefficient wiring of metal tags by hand labor, according to Stanley A. Dashew, president of the firm.

With the Databosser and its automatic tag wiring, industry can achieve lower costs and significant new efficiencies through improved controls resulting from more systematic identification of parts-in-process and identification of raw materials, equipment, parts and finished products involved in storage and distribution.

At the same production speed of 75 metal tags embossed and wired per minute, the Databosser can simultaneously emboss sequence numbers, notch plates for coding or sorting and coat tops of embossed characters for easier reading. Without the wiring operation the Databosser performs all its other operations at the rate of up to 100 tags per minute.

A NEW APPROACH TO
BUDGETING
Write for Information
McCORMICK & COMPANY
Consulting Management Engineers
Park Building Yonkers, N. Y.



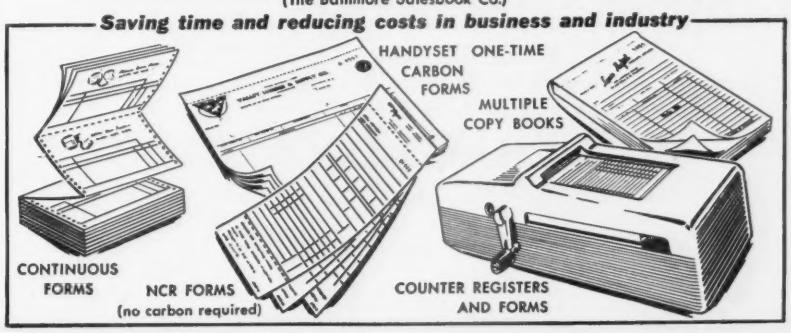
A Solution for Your Specific Business Form Problem!

Get an unbiased recommendation! Deal with a company that carries a complete line of business forms. Get *expert advice* from professional salesmen, with years of experience devising systems for many of America's leading business houses.

Yes . . . our salesmen are expert "system-planners." They'll help your operation by recommending the exact form necessary for trouble-free results. And because our line is *complete*, you get unbiased recommendations, excellent business form service for *any* need—when you *need* it!

Write *today* for unmistakable proof that we can help solve your business form problem. The Baltimore Business Forms Co., 3140 Frederick Avenue, Baltimore 29, Md.

The Baltimore Business Forms Company
(The Baltimore Salesbook Co.)
Saving time and reducing costs in business and industry



How To Budget and Administer Company Contributions

THE IMPORTANCE of company contributions to educational, medical and charitable organizations was discussed at a session held at the National Industrial Conference Board's 364th meeting in January 1956, in New York.

Charles R. Pascal, federal tax attorney, Pittsburgh Plate Glass Company, told the group that while hard and fast rules about the measurement of company contributions have yet to develop, the 5% figure allowed as a deduction from the federal income tax has served as a ceiling on such contributions. He noted that the most widely used yardstick in measuring the amount of company contributions is net earnings, but pointed out that numerous others may be used by individual companies. The advantages to be gained by the utilization of company-sponsored foundations have resulted in a marked increase in the formation of such foundations during the past decade. Whether or not a company has a foundation, its planning with regard to contributions is apt to be similar.

Mr. Pascal suggested that the administration of the Pittsburgh Plate Glass foundation is probably typical of the average company-sponsored foundation. The budgeting and administration of a program of company contributions seems logically to be divided between the general offices, which handle national contributions and high-level programs, and the agents in the field who handle local contributions.

The place of united funds to avoid multiplicity of money-raising campaigns was discussed by Ralph Winslow, vice president, Koppers Company, Inc. Mr. Winslow stated that formation of united funds in every community to avoid duplication in money-raising campaigns was necessary. He also urged adoption of a "package plan" for employe-giving; greater participation by labor organizations in fund-raising activities; and better screening of requests for donations to help make sure that corporate donations are put to the best possible use.

Mr. Winslow noted that the Community Chest started out as a grand idea—and it still is—but as the years have gone on, there have been more and more "splinter groups" breaking away from the Community Chest because they thought they could raise more money by conducting a separate campaign. The obvious result is that there is now a multiplicity of drives, one coming almost on the heels of the other. The multiplicity of campaigns not only complicates the situation from the standpoint of corporate gifts, but it also poses another problem in that virtually all year long corporate personnel, largely from the executives ranks, is tied up as colonels or majors or captains in some campaign for funds.

The "package plan" for employe giving, he noted, is a forward step in that it calls for one solicitation of employes each year, with the funds being allocated in proper proportion to the participating agencies. The employes like the plan because all their giving can be handled by payroll deductions through one pledge card and they are called upon to give but once a year.

The job of screening and investigating requests received by any company or individual should be better, Mr. Winslow noted. People should insist on asking many questions of the organizations that ask for help. The mere presence of well-known names on a letterhead does not give reliability to a specific solicitation because many corporate executives who use their letterheads to conduct a funds appeal do not know how much of the funds is spent on salaries and administrative costs and how much is spent to do the job intended. No corporate executive, Mr. Winslow cautioned, should front for an organization about whose balance sheet he knows very little.

A clearing house to audit the organizations appealing for funds would be a forward step. Such audited reports would, in the end, work to the advantage of worthy organizations by giving them some of the dollars that are drained away by causes of marginal or questionable value.

The philosophy of corporate giving was discussed by Richard Hale Andrews, executive director, Corning Glass Works foundation. The philosophical acceptance of corporate giving as a mainspring of corporate activity is the first step one must take before a corporation can put on paper a company's contributions policy. In reaching such a philosophy, Mr. Andrews noted, one probably starts with a group of top management who may feel that increased dividend payments to stockholders is the best vehicle for going down the road of the corporation's obligations to this industrial society. Others will be apart and believe that the corporation itself, at the expense of large dividends, should do the giving. Others, quite naturally, take a middle viewpoint.

CONTROLLER

New York City industrial organization requires competent controller-analyst, preferably with 10 years' financial, legal or engineering background—exceptional opportunity for executive post. Salary open. Replies confidential.

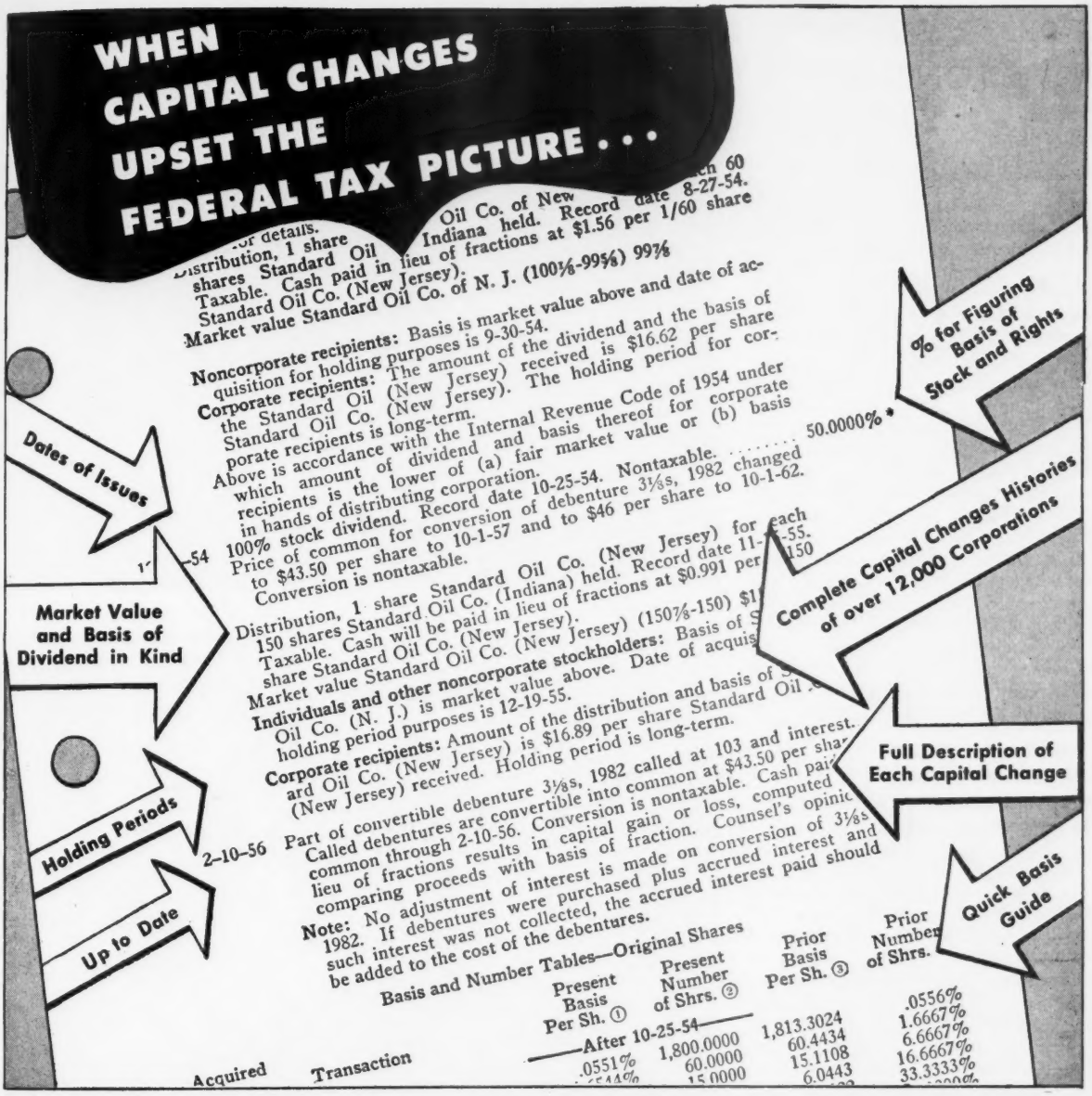
Box D2210
THE CONTROLLER
2 Park Ave. N. Y. 16, N. Y.

ANALYSIS
OF
Corporate Insurance Programs
(INCLUDING GROUP)

We Do Not Sell Insurance

W. T. CHAMBERLAIN INC.
103 Park Avenue, New York 17, N. Y., Murray Hill 3-2942

COLORADO
CONNECTICUT
DELAWARE
ILLINOIS
INDIANA
KENTUCKY
MARYLAND
MICHIGAN
MINNESOTA
NEW JERSEY
NEW YORK
OHIO
PENNSYLVANIA
VIRGINIA
WEST VIRGINIA
WISCONSIN


WHEN
CAPITAL CHANGES
UPSET THE
FEDERAL TAX PICTURE . . .
Dates of Issues
Market Value and Basis of Dividend in Kind
Holding Periods
Up to Date
% for Figuring Basis of Stock and Rights
Complete Capital Changes Histories of over 12,000 Corporations
Full Description of Each Capital Change
Quick Basis Guide
Noncorporate recipients: Basis is market value above and date of acquisition for holding purposes is 9-30-54.
Corporate recipients: The amount of the dividend and the basis of the Standard Oil (New Jersey) received is $16.62 per share
Standard Oil Co. (New Jersey). The holding period for corporate recipients is long-term.
Above is accordance with the Internal Revenue Code of 1954 under which amount of dividend and basis thereof for corporate recipients is the lower of (a) fair market value or (b) basis in hands of distributing corporation.
100% stock dividend. Record date 10-25-54. Nontaxable. ..... 50.0000% *
Price of common for conversion of debenture 3⅛s, 1982 changed to $43.50 per share to 10-1-57 and to $46 per share to 10-1-62.
Conversion is nontaxable.
Distribution, 1 share Standard Oil Co. (New Jersey) for each 150 shares Standard Oil Co. (Indiana) held. Record date 11-
Taxable. Cash will be paid in lieu of fractions at $0.991 per
share Standard Oil Co. (New Jersey).
Market value Standard Oil Co. (New Jersey) (150⅞-150) $1
Individuals and other noncorporate stockholders: Basis of S
Oil Co. (N. J.) is market value above. Date of acquis
holding period purposes is 12-19-55.
Corporate recipients: Amount of the distribution and basis of S
ard Oil Co. (New Jersey) is $16.89 per share Standard Oil
(New Jersey) received. Holding period is long-term.
Part of convertible debenture 3⅛s, 1982 called at 103 and interest.
Called debentures are convertible into common at $43.50 per shar
common through 2-10-56. Conversion is nontaxable. Cash pai
lieu of fractions results in capital gain or loss, computed
comparing proceeds with basis of fraction. Counsel's opinic
Note: No adjustment of interest is made on conversion of 3⅛s,
1982. If debentures were purchased plus accrued interest and
such interest was not collected, the accrued interest paid should
be added to the cost of the debentures.
Basis and Number Tables—Original Shares
Acquired
Transaction
Present Basis Per Sh. ①
Present Number of Shrs. ②
Prior Basis Per Sh. ③
Prior Number of Shrs.
After 10-25-54
.0551%
1,800.0000
1,813.3024
.0556%
60.0000
60.4434
1.6667%
15.0000
15.1108
6.6667%
6.0443
16.6667%
33.3333%

SINCLAIR-MURRAY CAPITAL CHANGES REPORTS*

When capital changes affect income from an investment portfolio—how can the Tax Man get the facts and information needed for correctly computing gain and loss for federal income tax purposes?

For almost three decades top tax specialists have turned to the authoritative pages of SINCLAIR-MURRAY CAPITAL CHANGES REPORTS for this kind of data. In its three encyclopedic loose leaf Volumes the complete capital changes histories of over 12,000 corporations are set forth and kept continually up to date through fast, regular loose leaf "Reports."

Included in its comprehensive coverage of this field are full details on the federal tax aspects of stock rights, stock dividends, liquidating distributions, exchanges in reorganizations, dividends on preferred stock redemptions, nontaxable and capital-gains cash dividends, interest on bonds "traded flat," amortizable premium on convertible bonds, and the like.

Then, too, there is everything needed in handling the federal tax problems peculiar to taking deductions on worthless securities, war casualty losses and recoveries, and the dividends received credit for corporate holders of certain public utilities stocks.

Not a statistical service, not a financial advisory service—these fill their own place in reporting financial events. SINCLAIR-MURRAY CAPITAL CHANGES REPORTS is concerned not with reporting financial events as such, but is exclusively concerned with reporting instead how *certain* financial events affect the tax picture of the security holder.

* Sinclair, Murray & Co., Inc., is a wholly owned subsidiary of Commerce Clearing House, Inc.

COMMERCE CLEARING HOUSE, INC.

PUBLISHERS of TOPICAL LAW REPORTS

322 FIFTH AVE. NEW YORK 36 | 4025 W. PETERSON AVE. CHICAGO 30 | 1329 E STREET, N. W. WASHINGTON 4

LONG SHOTS & CLOSEUPS WITH THE CONTROLLER CAMERA

Westfield, Mass. TOP RIGHT

Joseph A. Chadbourne, president of Old Colony Envelope Company, Westfield, Mass., is pictured (*second from the left*) receiving a diamond ring as a gift from all the employes of the company at an annual company party. Mr. Chadbourne, that evening, had also received a 25-years-service pin along with a number of other veteran employes given recognition by the firm.

The idea of presenting the ring to Mr. Chadbourne originated with members of the Old Colony Company union and the presentation was made by Joseph Martoni, president of the union (*second from the right*). Others in the group include Lee LaPrise (*left*), chairman of the party; John Fitzgerald (*right*), master of ceremonies; and S. Guy Ashley (*center*), vice president of Old Colony.

Mr. Chadbourne is a national director of Controllers Institute of America and is also secretary of the Springfield Control, a position he has held for many years.

Springfield, Mass. CENTER RIGHT

The camera caught the following members of the Springfield and Boston Controls of Controllers Institute just prior to a recent dinner meeting held by the Springfield Control. *Left to right* are the following: Douglas T. Dixon, Robert W. Hamel, Donald H. Dalbeck (regional vice president and a national director of the Institute), Henry L. Fjellman, Irving C. Barnes, G. E. Perino, Burdette A. Johnson, C. Ellis Spencer, R. H. Warner, R. W. Porter, Paul A. Wilks, M. O. Ferini, J. A. Chadbourne, Paul Haase (managing director, Controllers Institute), and Robert N. Wallis (national president of the Institute).

Los Angeles, Calif.

LOWER LEFT & RIGHT
(facing page)

At the January meeting of the Los Angeles Control of Controllers Institute the second midyear award of scrolls of recognition of merit were presented to graduates in accounting at University of Southern California, Los Angeles State and University of California at Los Angeles.

The students of those universities *(seated in lower left picture in order of the schools above mentioned)* are shown with their professors immediately behind them. *(Extreme left standing)* Rudolph Ostengaard, president of the Los Angeles Control, and *(extreme right standing)* Raymond O. Hill, chairman of the Educational Committee, have joined the group.

In the picture *(lower right—left to right)* of the presentation are Mr. Ostengaard, Mr. Hill, Eddie M. White of University of California and Dr. Carson of UCLA.

Accounting Conference at Tulsa

National leaders of the eight sponsoring organizations of the Conference of Accountants have been named as speakers to mark the tenth annual session at the University of Tulsa, April 26-27, 1956.

The theme of this year's meeting, which is expected to have an attendance of almost 400, is "The Forward Look—What's Ahead in Accounting?" Particular emphasis will be placed upon the effect of possible future developments in accounting and auditing operations in the petroleum industry.

The program lists these speakers, representing their respective sponsoring organizations:

Frank H. Lennon, Pure Oil Co., Chicago, Ill., national president of the Institute of Internal Auditors;

John V. van Pelt III, controller, Kendall Company, Walpole, Mass., chairman of the National Committee on Management Planning and Control, Controllers Institute of America;

John H. Zebley, Jr., Turner, Crook & Zebley, certified public accountants, Philadelphia, Pa., president of the American Institute of Accountants;

C. A. Peterson, treasury manager, Shell Oil Co., president of the Petroleum Accountants Society of Los Angeles;

Bruce L. Smyth, Federal Reserve Bank of Chicago, Chicago, Ill., a member of Controllers Institute and national president of the Systems and Procedures Association of America; and

Phillips C. Salman, controller, Socony-Mobil Oil Company, New York, member of Controllers Institute and general chairman of the Division of Finance and Accounting, American Petroleum Institute.

The Oklahoma Control of Controllers Institute acts as a sponsor for the conference.

WESTERN CONFERENCE

CONTROLLERS INSTITUTE

SPONSORED BY THE PHOENIX CONTROL

PROGRAM

ELECTRONICS FOR SMALL COMPANIES—a panel discussion

MANAGEMENT PLANNING AND CONTROL AT DRESSER INDUSTRIES
a panel discussion

MACHINE ACCOUNTING AS SEEN BY THE CPA
Ralph Lewis, Arthur Young and Co.

SOCRATES AND THE AIR AGE
Dr. Philip Geary, Trans World Airlines

ECONOMIC RESOURCES OF THE WEST
member of Stanford Research Institute

ENTERTAINMENT

Outdoor steak dinner—bring your loud shirts!

Special events for the ladies

ARIZONA BILTMORE HOTEL

PHOENIX, ARIZONA • APRIL 26-28, 1956

Buetow on Controllership

(Continued from page 116)

of the problem, however, is to get someone to do something about it.

As a matter of fact, many of the Programs for Profits originate with the division people. They analyze their own operations and are guided further through analyses made by the division controller. On the other hand, many of these programs are developed from an analysis of profit and loss and operating statements, which, when properly combined, indicate areas where profits might be improved substantially.

The controller works with the division management in arriving at areas where improvement is needed, helps to develop the program and define the objective. Every Program for Profit is formally reduced to writing and sets forth very clearly the answers to such questions as:

1. *What are the potential annual savings?*
2. *What is the general objective?*
3. *When was the program started?*
4. *When will it be completed?*
5. *Who has primary responsibility?*
6. *What supervisory responsibility?*
7. *What are current year's savings?*

The results of these programs are checked very carefully through Accomplishment Reports. These reports are published quarterly, showing the results of each program and summarizing the over-all accomplishment. In this way, the controller can sit down and review these results with the division management and top management at periodic intervals.

I suppose there is a natural tendency among operating personnel to feel that the controllership function could well be masterminded within the division, but the controller is a specialist and it takes a specialist to pull the whole picture together.

Actually, we find that the division managers are very receptive to the program and keep the welcome mat out for the specialist who can sit down with them and help them work out their problems. However, in most cases the *committee* approach has been most effective in getting these programs started—that is, bringing together all key people who can contribute to the over-all problem.

As an example, here's what we found when people of varied interests within a division were brought together on the common problem of profit improvement for the over-all division. First of all, you can appreciate why the quality control man should be concerned primarily with quality, the waste control man with waste, and the laboratory technician with technical problems of the product.

However, when all these people were brought together with representatives of production and sales—and *costs* or *profits* were made the *common objective*—we found that all three could contribute. The quality control man could yield a little on quality in consideration of the over-all problem, which made it possible for the waste control man to be more effective in his area. When you add to this the full cooperation of production and sales you can see where substantial profit improvement could result without seriously affecting customer relationships.

These Programs for Profits are being well received in every area of our operations including manufacturing, engineering, laboratory, distribution, and administrative expense. We think they're here to stay.

Altogether, these Programs for Profits constitute a positive approach to problems. At least they avoid the negative approach such as might be the case with so-called cost-reduction programs and budgetary controls. So, profit improvement becomes the keyword in our programs. It is a very flexible approach which can be applied in various ways—through reduction in spending levels, reduction in waste, changes in crew size and process changes.

Here are a few ways in which these programs work toward profit improvement in the operating divisions:

1. Reducing raw material costs by successfully utilizing lower-cost alternates;
2. Improving efficiency of production

(Continued on page 138)

If you are concerned about rising costs, increasing competition, and manpower shortages, it may be time for a fresh approach.

And that's where STATISTICAL can help!

If you have a tab department of your own, it will pay you to explore the experience and facilities that are available at STATISTICAL to supplement your own staff and equipment. Maybe, just an "outside slant" will do the trick. Or your problem may be answered by the latest mechanical facilities maintained here.

On the other hand, if you are not already using automatic methods, STATISTICAL service can help you apply the latest tabulating techniques to cut clerical costs, increase sales and profits and brighten your competitive picture—*all without increasing your overhead.* (If you are planning to install tabulating equipment, we'll be glad to show you how.)

It costs you nothing to talk over the possibilities of this service with one of our methods engineers. Just phone or write our nearest office.

stc

STATISTICAL TABULATING COMPANY

Established 1933 • Michael R. Notaro, President

CHICAGO 53 W. Jackson Blvd. HArrison 7-4500
NEW YORK 80 Broad St. WHitehall 3-8383
ST. LOUIS 411 N. Tenth St. MAin 1-7777
NEWARK Nat'l-Newark Bldg. MArket 3-7636
CLEVELAND 1367 E. 6th St. SUperior 1-8101

TABULATING
CALCULATING
TYPING
TEMPORARY
OFFICE
PERSONNEL

"National Accounting Machines save us 130% on our investment—every year!"

—THE PARKER PEN CO., Janesville, Wis., Toronto, Can.

"Just as we strive to maintain the superior quality of Parker Pens, we also insist on maintaining peak efficiency in our accounting and administrative procedures. We are gratified with the performance of our National Accounting Machines. They repay us annually $1.30 on every dollar invested —a 130% return each year.

"Our National Accounting Machines not only save us valuable time and reduce operating costs . . . they also help our operators do better work with less effort. They do a particularly outstanding job handling high volume accounts receivable (both domestic and export), as well as our accounts payable applications.

"Simplified and automatic machine operations also reduce operator training to the minimum. With Nationals, it's easy for us to keep comfortably ahead of our fast-paced work schedule. All of this contributes to the unusual value we place on National equipment and systems."

G. Earl Best
Secretary-Treasurer, The Parker Pen Company

In your business, too, National machines will pay for themselves with the money they save, then continue savings as annual profit. Your nearby National man will gladly show how much you can save—and why your operators will be happier. (See yellow pages of your phone book, or write to us at Dayton 9, Ohio.)

*TRADE MARK REG. U. S. PAT. OFF.

National
ACCOUNTING MACHINES
ADDING MACHINES • CASH REGISTERS

THE NATIONAL CASH REGISTER COMPANY, DAYTON 9, OHIO
986 OFFICES IN 94 COUNTRIES

Buetow on Controllership

(Continued from page 136)

processes and procedures by modernizing and modifying equipment;

3. Lowering inventories of finished goods through more effective sales and distribution planning.

Many of these programs involve spending more money over a short term to achieve savings over a longer period. But, with the program approach we do have a definite plan for attaining the objective.

Someone may ask: *"How do we know we are going to have savings as a result of these programs?"*

I'd like to answer the question this way: We feel that unless the results of these programs can be tied into the profit and loss statements, we are not very far ahead of the game. Actually, this is done. The various programs are evaluated by the controller's department to determine whether the expected savings can be accomplished. If a program is established, we expect the results to show up on the bottom line, and if they don't, we expect the controller group to show why or what offsetting factors entered into the picture. Therefore, it is the controller's responsibility to evaluate the effect of the program when it is initiated.

I recall one case where a division had a reduction of four percentage points in factory costs, but this had been offset by increased sales costs. The main point is that by tying the expected profit improvement into profit and loss analyses, we can prove the results of these programs.

We have at the present time on our books programs with potential annual savings in excess of four million dollars . . . if they are all completely effective.

There is one over-all effect of this program which is significant. During the past three or four years, our ratio of factory cost to sales has shown a steady decline. This relationship is now about 2½ percentage points *below* what it was at that time and this is the area in which we first applied our new program.

There are, of course, other areas where controllership is applied in our organization. Controllership also fits into the marketing of a new product. Some of the problems involve how the product is to be sold—through a distributor, jobber, or through the present sales organization? Other considerations are prices, discount privileges, and shipping costs.

When a division gets ready to market a new product, the controller is asked to sit in. A projected profit and loss statement is made on this new product, the number of salesmen is determined and a definite marketing plan is developed. *All evaluation work is done by the division controller.* He is the one who puts the dollar sign on the figures the division comes up with.

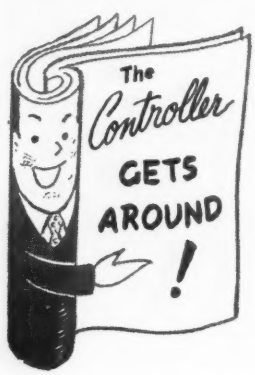
The division controller also sits in on all price revisions, and no price adjustments are made without careful cost analyses. For example, one division determined that it would need an over-all three per cent increase in prices to recover costs. Following the controller's study, based on anticipated labor costs, it was determined that a *five per cent* increase was necessary to protect against further expected cost changes.

The controller doesn't decide prices but we hope he can give the division management the wherewithal to decide intelligently.

Another important area is that of research and development. Here the controllership function is applied through a system of *project controls*. This system provides the over-all control of expenditures for research and development which management must exercise, and at the same time, it has given our division managers and laboratory heads the detailed information necessary for proper and efficient operation.

Another important duty of the controller is related to the engineering department and expansion of production facilities. As capital expenditures are made for new plants, we usually ask the controller to sit in with the production and engineering groups to assist in the selection of locations or sites for whatever effect such locations may have on the profit and loss statement of the division; for example, the location is studied for sources of raw materials, labor supply, labor rates, freight costs, and other cost factors.

I would like to point out one other aspect of the controllership function and that has to do with controllership as an important communication channel. The controller's staff has a wonderful opportunity to help the operating groups and staff divisions. They can advise them of proper procedures and policies, and help them work out various problems. We expect our controllership function to be directly constructive, and we think it has done a good job in helping our operating people to think in terms of doing things better.



Articles appearing in THE CONTROLLER continue to be picked up, recommended, digested and reprinted in other publications. Government agencies, schools of business administration, research organizations and company publications have also used articles appearing in THE CONTROLLER.

IN 1955, 34 feature articles were quoted, digested or recommended for reading in 17 different publications, including

AUDITGRAM
NACA BULLETIN
COST ACCOUNTANT
THE AUSTRALIAN ACCOUNTANT
DATA PROCESSING DIGEST
THE PYRAMID (Bankers Trust Co.)
MANAGEMENT GUIDE
MANAGEMENT REVIEW

THESE ARTICLES covered a wide variety of subjects, such as

Electronics
Budgets
Controllership
Taxes
Depreciation
Planning & Control
Cost Reduction

Miller on Controllership

(Continued from page 117)

3. Offering us frequent appraisal of the current validity of our objectives in terms of the organization's contemporary ability to meet them;

4. Furnishing the appropriate government departments, agencies, bureaus, branches and offices whatever information about us they legitimately need;

5. Keeping himself and us advised as to the possible influence on our plans of changing economic climate or conditions; and

6. Finally, of course, ensuring legal, accounting and secretarial protection for the assets of our business.

These are broad principles of operation and naturally refer to the service aspect which I contend must be the dominant characteristic of the function. Naturally, there will be additional duties, varying from company to company, in the nature of line responsibility, but I don't believe they have a rightful part in this general discussion.

There is one aspect of the controller's function, however, I would like to touch on more specifically. That's the responsibility which all of us in executive capacities have for the proper direction of people. I have a feeling that usually most companies do a better job of selecting, training, supervising, communicating with and appealing to their employes in plants and sales organizations than they do in respect to our so-called office employes. Since the controller often has the largest group of office employes, this responsibility falls on his shoulders.

Are we doing a good basic personnel job with our office employes?

Are they so close to us, that we are guilty of neglecting them?

Is it possible that the shortage of skilled or at least alert, intelligent people in this market may be partly due to the complacency we have demonstrated?

(We have been warned for years that the white collar group is the next big group which the professional union organizers will go after.)

Are we mending our fences and giving these people, who as a group have demonstrated their loyalty and their identity of interest with the aims of good management, the kind of leadership and consideration they deserve?

You can answer these questions for your respective organizations. I merely suggest you do so—before it's too late.

It sounds like a pretty big job. It is a pretty big job—and it will call, increasingly, for a big man. Clearly, what we need in this function is a true member of top management—a generalist with company-wide orientation, not a specialist with exclusive preoccupation in accounting or any other specific management technique. Once again, his position on the management team affords such a golden opportunity to influence the decisions of his associates that we simply can't risk their exposure to anything less than top calibre, broad-gauge thinking!

In short, the controller must be an executive able to give me and my staff the detail of the planning which will provide our controls—and then be able to report clearly and meaningfully to us the deviations from the plan.

He'll give us:

Facts and information on which to base decisions.

Tools for me in my function of coordinating and planning.

Tools for appraising and checking performance.

Yes, it *is* a big job. One of need for increasing awareness of industry, of society as a whole. For the controller as well as any other business executive today must face squarely Chester Barnard's admonition that *"While men are concentrating on techniques, machines, processes and abstract knowledge, they are necessarily diverted from experience with men, organizations and social situations which are the distinctive fields of application of leadership ability."*

If I were to sum up in a sentence it seems to me that tomorrow's challenge to the controller is to be a broader-based executive with a wider range of interests, sensitivities and opportunities.

WHAT IS CONTROLLERSHIP?

The concept of the function of controllership, as developed by Controllers Institute's Committee on Ethics and Eligibility Standards, and approved by the National Board of Directors on September 25, 1949, follows:

1. To establish, coordinate and maintain, through authorized management, an integrated plan for the control of operations. Such a plan would provide, to the extent required in the business, cost standards, expense budgets, sales forecasts, profit planning, and programs for capital investment and financing, together with the necessary procedures to effectuate the plan.
2. To measure performance against approved operating plans and standards, and to report and interpret the results of operations to all levels of management. This function includes the design, installation and maintenance of accounting and cost systems and records, the determination of accounting policy and the compilation of statistical records as required.
3. To measure and report on the validity of the objectives of the business and on the effectiveness of its policies, organization structure and procedures in attaining those objectives. This includes consulting with all segments of management responsible for policy or action concerning any phase of the operation of the business as it relates to the performance of this function.
4. To report to government agencies, as required, and to supervise all matters relating to taxes.
5. To interpret and report on the effect of external influences on the attainment of the objectives of the business. This function includes the continuous appraisal of economic and social forces and of governmental influences as they affect the operations of the business.
6. To provide protection for the assets of the business. This function includes establishing and maintaining adequate internal control and auditing, and assuring proper insurance coverage.

Planning for Electronics

A case history of the planning, investigation, and preparation for electronic data processing used by the Port of New York Authority has just been issued by Controllership Foundation, Inc. The study details every step taken by the Port Authority from the initial decision to see if it would be feasible to convert to EDP to the actual conversion to electronic accounting. Financial executives will find the study a valuable aid in their own planning. Copies of "Electronics in Business: A Case Study in Planning: Port of New York Authority" are available from Controllership Foundation, Inc., Two Park Avenue, New York 16, N. Y. at $4.00 each.

Office Clean-Up

American business will spend millions of dollars this year to refurbish its offices, according to a NOMA report. A membership survey showed new office equipment was one of the things uppermost in the 1956 planning of business concerns. Some 44% of the executives responding said that the purchase of new office equipment had already been planned for 1956. And about 3% of the reporting companies indicated they planned to spend $100,000 for new office supplies and equipment. The items that interested office managers most were accounting and tabulating machines, addressing machines, dictating equipment, duplicating devices and mail-room products.

This Electronic World

Sales of industrial electronic devices were estimated at some $300 million in 1954 and may reach $465 million in 1958 and $670 million in 1964, according to various estimates. Industrial electronic devices control industrial processes, laboratory measurement instruments, visual electronic inspection devices, timers and relays.

•

Chas. Pfizer & Co., Inc., pharmaceutical and chemical manufacturer, has used an IBM 702 to write and print a 198-page volume of potentially useful chemical names to be used as trademarks for the new drug products developed each year by its research teams. The company specifies that its trademark names should be: (1) easy to pronounce, spell and remember; (2) easy to transliterate into the major commercial languages of the world; and (3) have a medical sound. A random sampling of medical literature turned up 30 word endings which were closely related in spelling and phonetics. The 702 took the 30 word endings and combined them with various sets of first syllables and developed a 42,000-word dictionary, after rejecting 22,000 words which did not meet requirements.

•

Eastman Kodak Company and Addressograph-Multigraph Corporation have announced a new data-processing system manufactured by Eastman and distributed by Addressograph. The new system was especially developed and engineered to meet the data-handling requirements found in large-volume mailing list operations. The three major units of equipment include: a magnetic-tape-operated electronic printer capable of printing speeds up to 3,000 lines a minute; a high-speed punched-card-to-magnetic-tape converter having a card-feeding speed of 600 a minute; and a selective magnetic-tape-recording system capable of recording data contained in punched cards on from two to twelve separate tapes.

•

A small desk-size computer is used at United Aircraft Corporation to pilot the course of its giant brother computer, according to Burroughs Corporation which makes both units. The task of the smaller computer is to check the accuracy of data before they are fed into the large one. While the two machines together solve problems faced in the construction of giant airplane engines, the smaller computer is said to save several hours to several weeks of the labor of hard-to-find computer personnel. Burroughs officials look for similar "teams" to be installed soon in optical plants, oil refineries, chemical factories, banks and general offices.

U. S. Income at Record Rate

National income in the third quarter of 1955 climbed to an annual rate of $326 billion, highest on record. The Office of Business Economics of the Department of Commerce said that the income rate reported for the third quarter of 1955 was up by $5 billion, 1½% higher than in the second quarter of the year and a full 9% above the level of the third quarter of 1954. Nearly all major divisions of industry shared in the 1954-55 expansion, and some of the sharpest gains were in manufacturing and mining, which recovered from previous declines and resumed their postwar up-trends. Income in transportation also showed marked recovery, and there was further growth in all other industry divisions except agriculture.

Corporate profits in the first three quarters of 1955 showed the largest percentage gain over 1954, almost half of which, however, represented recovery from 1954 decline. Profits as measured for national

CONTROLLERSHIP INFORMATION SERVICE

A digest of information developed by
CONTROLLERSHIP FOUNDATION
in answer to a reader's inquiry

LITERATURE ON LEASING VS. OWNING PROPERTY

PAMPHLET

"Tested Approaches to Capital Equipment Replacement," Special Report No. 1, American Management Association, New York, 1954.

PERIODICAL

"Lease or Purchase?" by Frederic J. Muth, *The Controller,* August 1954, p. 366.

"Leasehold Amortization as Alternative to Depreciation Deduction under Code" by Victor R. Wolder, *Credit and Financial Management,* March 1955.

"Equipment Leasing: Pro or Con?" by I. Wayne Keller, *Dun's Review and Modern Industry,* August 1954, p. 23.

"Evaluation of Forward Buying" by Howard T. Lewis, *Harvard Business Review,* March 1951.

"Industrial Procurement and Marketing" by Howard T. Lewis, *Harvard Business Review,* September 1950.

"Make-or-Buy Re-examined" by Carter C. Higgins, *Harvard Business Review,* March-April 1955, p. 109.

"Profitable Inventory Levels" by F. Beaman Todd and Irving Scharf, *Harvard Business Review,* September-October 1953.

"Pros and Cons of Leasing Equipment" by Frank K. Griesinger, *Harvard Business Review,* March-April 1955.

"Is It Cheaper to Own or to Lease?" by Sidney M. Barton, *Management Methods,* September 15, 1955, p. 17.

"Buy or Lease Material Handling Equipment," *Pacific Factory,* March 1953.

"How to Lease Capital Expenditures" by Robert H. Nelson, *Systems,* May-June 1954.

income purposes (before income tax and excluding net inventory gains) amounted to more than $41 billion at an annual rate for the first three quarters of 1955.

Man-Days Lost Through Work Stoppages Surveyed

Work stoppages during the first nine months of 1955 resulted in 20 million man-days of idleness for the United States and 767,000 man-days for Canada, according to a survey by the National Industrial Conference Board. In the corresponding 1954 period, work time losses were somewhat lower: 19 million man-days for the United States and 597,000 man-days for Canada. The Conference Board notes, however, that 1955 figures for both countries are well below the peaks set in 1946 and 1952. Man-days lost through strikes in the 1955 period represented about 2.5% of the estimated working time of all U.S. workers, but only .1% of Canada's work time. Canadian strikes, however, lasted much longer—15 days per worker for Canada, compared with only eight days for the U.S. worker.

Corporate Pension Funds

A study by the SEC on noninsured pension and profit-sharing retirement plans of all U.S. corporations other than banks, insurance companies, and railroads reveals total assets in pension funds of $11.2 billion at the close of 1954. This is an increase of 75% over 1951.

Consumer Borrowing

Americans borrowed $500 million more than they saved in the second quarter of 1955, according to SEC. In this period, mortgage debt jumped to $3.3 billion, consumer debt (largely for autos) rose $2.2 billion.

Pension Funds

The total dollar value represented by U.S. pension funds now exceeds $17 billion, according to the Farmers Insurance Group, and this accumulation is being steadily augmented at a rate of about $2.5 million yearly. Deferred-payment profit-sharing trusts are now being qualified by IRS at the rate of more than 100 monthly.

Industrial Research

Industry will spend a record $5 billion in 1956 on research, according to E. Duer Reeves, executive vice president of Esso Research and Engineering Company. Mr. Reeves based his estimate on the logical assumption that research is now an integral part of business activity.

APPRAISALS

NATIONAL ORGANIZATION OF APPRAISAL ENGINEERS

STANDARD APPRAISAL COMPANY

BOSTON PHILADELPHIA PITTSBURGH — **6 CHURCH STREET NEW YORK, N. Y.** — ATLANTA CHICAGO ST. LOUIS

***How much did* YOU *budget for* EMPLOYEE DISHONESTY?**

You budget other items . . . figure them to the penny . . . but when it comes to possible dishonesty losses . . . that's another matter!

YET THESE ARE THE FACTS:

1. **Employee dishonesty costs American Business more than half a billion dollars a year!**
2. **Insured losses alone cost bonding companies more than $20 million yearly!**
3. **Hidden, sleeping shortages have been known to grow for *more than 20 years* with their final discovery wiping out the business.**

   But only 1 out of 10 businesses is now protected against such losses—and the cost of this insurance protection is often *less than a dime a day per employee!*

This essential protection for your business can be arranged promptly by the American Surety Agent in your community. He'll be glad to have one of our Business Protection Specialists help you reduce the opportunities for employee dishonesty. This valuable service involves no cost or obligation.

Why not call our agent today—or write our Agency Department for his name

- **HELPFUL BOOKLET:** "Safeguards against Employee Dishonesty in Business" offers practical suggestions to protect your business. Jointly prepared by the American Institute of Accountants and the Surety Association of America, it is especially valuable to businessmen. A copy is yours for the asking on your letterhead.

AMERICAN SURETY COMPANY

FIDELITY · SURETY · CASUALTY · INLAND MARINE
HOMEOWNERS · ACCOUNTANTS LIABILITY · AVIATION

100 Broadway, New York 5, New York

MR. CARL R. SCHMIDT, *President of the Schmidt Lithograph Company, San Francisco.*

"The success of our business", points out Mr. Schmidt, "is based on giving the best possible lithography at the best possible value. Experience has taught us that the cost of using quality papers, inks, machines and craftsmanship is negligible compared with the superiority of the finished product."

FOR EXAMPLE: *Your business stationery.* Surveys by the National Stationers' and Office Equipment Association show that the paper constituting the average letterhead, envelope and file copy costs *less than a postage stamp.* This microscopic cost rises *less than 1%* of total correspondence costs when you entrust your letters—*your personal representatives*—to the highest-quality, most impressive, rag-content letter paper obtainable: ADVANCE BOND.

ANOTHER EXAMPLE: *Your business records.* Record paper averages *but 1% of total accounting costs.* This minute cost increases *less than 1%* when you select the most durable, permanent record paper made: L. L. BROWN'S LINEN LEDGER.

Thus at practically no extra cost, you can be sure of prestige-enhancing stationery and dependable records regardless of time and hard use. These *plus* values have characterized L. L. Brown papers for 106 years.

Your regular supplier of stationery and records is well versed in the various L. L. Brown papers. He will gladly recommend those best suited to your particular requirements. L. L. Brown Paper Company, Adams, Mass.

L. L. BROWN

LETTER & RECORD PAPERS

"SO MUCH *extra value* FOR SO LITTLE *extra cost*"

Since 1849

Personal Notes

Members of the Controllers Institute are identified in the following items by certificate number and year of election in parentheses.

TOP MEN . . .

George W. Knox (#3013-1944), assistant to the president of Virginia Metal Products Corporation, Orange, Virginia, recently became president and treasurer, Arlite Industries, Inc., Newark, N. J. . . . **Thomas E. Butz** (#4808-1950), formerly executive vice president and treasurer, Fanner Manufacturing Co., Cleveland, Ohio, was elected president and will continue to serve as treasurer. . . . **Richard E. Derby** (#3524-1945) is now president of Converted Rice, Inc., Houston, Texas. He joined his company in 1944 as controller and administrative co-ordinator and before reaching the presidency held the office of vice president.

Herbert E. Helbig (#5969-1952) has been appointed divisional controller, Bridgeport Thermostat Division of the Robertshaw-Fulton Controls Co., Bridgeport, Conn. . . . **Alexander T. Daignault** (#6472-1954) was elected executive vice president and chief financial officer of W. R. Grace & Company, New York. He was formerly vice president-finance of Westinghouse Air Brake Company, Pittsburgh, Pa. . . . **J. N. Yorke** (#4204-1948) has joined Peerless Electric Company, Warren, Ohio, as controller. He had been controller and assistant secretary-treasurer of Company, Chicago, Ill. He was previously controller of Affiliated Gas Equipment, Inc., Cleveland, Ohio.

MR. DERBY

MR. RITZ

MR. DAIGNAULT

NEW CONNECTIONS . . .

W. M. Beck (#6226-1954) is now controller of Kansas City Mortgage Company, Kansas City, Mo. . . . **Stuart B. Miller** (#1962-1943) is now comptroller of Fansteel Metallurgical Corporation of North Chicago, Ill. He was formerly with Illinois Farm Supply Company, Chicago, as director of finance and controller. . . . **Allen C. Ritz** (#2870-1944) has joined Porter Cable Machine Company, Syracuse, N. Y., as assistant to the vice president and treasurer.

Willis T. Windle (#4798-1950) has been elected treasurer of Mohasco Industries, Inc., Amsterdam, N. Y. He had previously been treasurer-controller of the Carborundum Company, Niagara Falls, N. Y. . . . **C. A. Pertain** (#6795-1956) is now treasurer of the Appleton Wire Works, Inc., Appleton, Wis. . . . **George A. Kautz** (#5649-1952) has been elected assistant treasurer of Thor Power Tool R. D. Werner Co., Inc., Greenville, Pa.

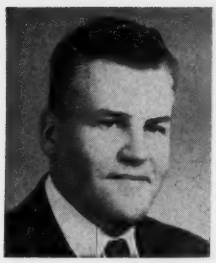
Willard H. Young (#2129-1942) is now with Potts-Woodbury, Inc., Kansas City, Mo., as director of Marketing and Research. . . . **Raymond J. Barber** (#4110-1947) has been elected a director, vice president and treasurer of Savage Arms Corp., Chicopee Falls, Mass.

PROMOTIONS . . .

Vincent W. Scully (#5681-1952), FCA, has been appointed vice president and general manager of the Steel Company of Canada, Limited, Hamilton, Ontario. Mr. Scully had served as vice president and comptroller. He is succeeded as comptroller by **Norman J. Brown** (#6438-1955), who has served as assistant comptroller since 1953. . . . **Lawrence E. Denman** (#4888-1950) is now treasurer of his company, Pettibone Mulliken Corporation, Chicago, Ill. . . . **Paul F. Dickmeyer** (#5293-1951) is now vice president and

Randolph MacDonald

MR. DICKMEYER



MR. PERKS

MR. CAMPBELL

controller of Fort Wayne Corrugated Paper Company, Fort Wayne, Ind., having advanced from controller and secretary. Mr. Dickmeyer is currently serving as secretary-treasurer of the Fort Wayne Control of Controllers Institute.

W. Harvey Trevilian (#6363-1954) is now vice president and treasurer of the Western Newspaper Union, New York. . . . **Warren W. Byrne** (#6177-1954) was elected vice president of Lowry & Company, Inc., New York. He was formerly treasurer. Mr. Byrne is co-author of a published standard cost accounting manual entitled "Principles of Management Control." . . . **William H. Fisher** (#3526-1945 has been elected secretary-treasurer of Santa Anita Potteries, Los Angeles, Calif. He was formerly controller.

NEW APPOINTMENTS . . .

Henry G. Diefenbach, vice president and comptroller U. S. Trust Co. of New York, has accepted appointment by President Eisenhower as a member of the National Park Trust Fund Board of the National Park Service. . . . **David W. Myers,** has been appointed vice president of The Producto Machine Company, Bridgeport, Conn. . . . **Charles V. Boulton** elected treasurer of International Business Machines Corp., New York, succeeding **A. L. Williams** (#2380-1941) who had continued to serve as treasurer following his election as executive vice president in 1954. . . . **Richard J. McConnell** (#4597-1949) has been appointed Director of Finance of the City of Philadelphia, Pa. Appointed a deputy in April 1953, Mr. McConnell was formerly controller-treasurer at Burk Brothers, Philadelphia, from 1949 to 1952.

NEW DIRECTORS . . .

A. S. Corson (#427-1934), vice president in charge of finance and accounting of the Philadelphia Electric Company, Philadelphia, Pa. . . . **Frank J. Koegler** (#165-1932), vice president of the National Lead Co., and also general manager of its Doehler-Jarvis Division, Toledo, Ohio. . . . **Frederic M. Hadley** (#4083-1947), executive vice president and a director of Eli Lilly & Co., Indianapolis, Ind., to the Board of the Lynch Corp., Anderson, Ind. . . . **F. W. Misch** (#3956-1947), vice president-finance, Chrysler Corporation, Detroit, Mich., was elected a director and a member of the finance committee succeeding the late **George Troost** (#2715-1943). . . . **H. P. Taylor** (#3147-1944), president, Wisconsin Public Service Corp., Milwaukee, Wis., to the Board of the First Federal Savings and Loan Association of the same city.

COMPANY MOVES . . .

L. C. Simmons (#5042-1951), formerly comptroller of National Tube Division, U. S. Steel, Pittsburgh, Pa., is now vice president-accounting of the parent company.

ADDITIONAL DUTIES FOR . . .

Walter A. Hensel (#5554-1952) who was elected vice president of General Aniline & Film Corporation, New York, but will continue as general manager of the company's Ozalid Division at Johnson City, N. Y. . . . **H. Edwin Olson** (#84-1932), who, in addition to serving as vice president of the Columbia Gas System, Inc., New York, has been elected to the office of secretary of his company.

William H. Perks (#4516-1949), who has been appointed assistant treasurer in addition to his present position as controller of Norton Company, Worcester, Mass. Mr. Perks is a trustee and member of the Executive Committee of Controllership Foundation and is first vice president of the Boston Control of Controllers Institute. . . . **Alexander Campbell** (#5272-1951), who has been appointed vice president-finance of Western Canada Breweries Limited, Vancouver, B. C., Canada, and will retain his present post of treasurer. . . . **Clarence H. Lichtfeldt** (#1661-1940), comptroller, First Wisconsin National Bank, Milwaukee, Wis., who is now vice president-comptroller.

Frank I. Bertsch (#6657-1955), treasurer of the American Bosch Arma Corp., Garden City, N. Y., who has also been elected secretary. . . . **O. Rice Buttram** (#5360-1951), cashier, National Bank of Tulsa, Tulsa, Oklahoma, who is now vice president and cashier.

WRITERS . . .

Arnold W. Johnson (#5675-1952), professor of Accounting, Graduate School of Business Administration, New York University, New York, has just had a book published by Rinehart & Company, Inc.,

VICE PRESIDENT of FINANCE

$35,000

AN EXCELLENT OPPORTUNITY to become the chief financial officer of a multi-plant manufacturing company with annual sales exceeding $100,000,000.

MANY YEARS IN BUSINESS, our broad line of industrial and consumer metal products has achieved an international reputation. Growth has been steady through product development and the acquisition of new companies.

THIS MAN WILL REPORT TO THE PRESIDENT and will have the Treasurer and the Controller reporting to him. He should be between 40 and 50 years of age and at present the Financial Vice President or the Controller of a manufacturing company.

AS ONE OF THE MAJOR EXECUTIVES of the company, he will be eligible for bonuses and stock options, in addition to the above stated salary. Replies may be brief and will be held in confidence.

Box No. D2208, The Controller
2 Park Ave., New York 16, N. Y.

New York, entitled "Principles of Auditing." This is a companion to an earlier volume "Case Problems in Auditing". . . . **O. Raymond Garvin** (#5447-1951), assistant comptroller, Security-First National Bank of Los Angeles, California, is author of a feature article in the January 1956 issue of *Auditgram* on "Fringe Benefits". . . . **Robert E. Slater** (#4547-1949), vice president and controller of John Hancock Mutual Life Insurance Company, Boston, Mass., is author of an article, "Punched Cards—Are They Obsolete?" published in the January 1956 issue of *Office Management*. . . . **George Moller** (#5753-1952), treasurer and comptroller, Robertson-Irwin Limited, Hamilton, Ontario, is the author of an article "Efficient Management Needs Expense Control" in the January 1956 issue of *Cost and Management*, the official journal of the Society of Industrial and Cost Accountants of Canada.

SPEAKERS . . .

Paul A. Reck (#5340-1951) recently addressed a meeting of the New England State Tax Officials Association on "The Necessity of Achieving a Uniformity Program in State Taxation." He is assistant treasurer of Sperry Gyroscope Company, Div. of Sperry Rand Corp., Great Neck, N. Y. The text of the speech was printed in the January 3 issue of the *Long Island Commercial Review*.

Walter A. Hensel (#5554-1952), vice president of General Aniline and Film Corporation, Ozalid Division, Johnson City, N. Y., recently addressed the National Machine Accountants Association, Binghamton, N. Y., on "What Does Management Expect from the Tabulating Department?". . . **Bruce S. Shannon** (#4723-1949), assistant secretary and controller, the Drackett Co., Cincinnati, Ohio, and president of the Cincinnati Control of Controllers Institute, addressed the Xavier University Accounting Society.

J. R. McKee (#405-1934), president, California Casualty Indemnity Co., Index Underwriters, Inc., San Francisco, Calif., recently addressed the California Historical Society on "The San Francisco Vigilantes of 1856." Mr. McKee's great-grandfather and great-uncle were prominently identified with the historical events of a century ago.

EXTRACURRICULAR ACTIVITIES . . .

Nine members of Controllers Institute will be on the faculty staff at the fourth session of the NABAC School to be held July 22-August 4, 1956 at the University of Wisconsin: **Charles A. Agemian** (#6321-1954); **G. Edward Cooper** (#5191-1951); **Fayette H. Elwell** (#4524-1949); **Robert W. Fischer** (#5559-1952); **Richard C. Huelsman** (#1987-1941); **Edward F. James** (#5409-1951); **Richard B. Keck** (#4772-1949); **Clarence H. Lichtfeldt** (#1661-1940); and **Charles C. Looney** (#1543-1939).

Earl A. Matheney (#5609-1952), controller and secretary of Jenkins Music Company, Kansas City, Mo., has been elected president of the Kansas City Association for the Blind. . . . **Milford S. Tysseland** (#4429-1948) is serving as vice president of the executive board of the Boy Scouts of America, Ridgewood-Glen Rock Council. Mr. Tysseland is controller of the Ford Motor Company at Mahwah, N. J.

R. D. Osborne (#5145-1951), vice president and comptroller of Federal Telephone and Radio Corporation, Clifton, N. J., was recently elected president of the Clifton Chamber of Commerce.

★ OPPORTUNITIES ★

EMPLOYMENT • EQUIPMENT • MISCELLANEOUS

RATES: $5.00 per inch or fraction thereof each insertion. 50¢ each additional line. Payable in advance. Allow approximately 40 words to the 1 column-wide inch including 2 words for box number. Closing date 10th of preceding month.

Address box number replies to THE CONTROLLER, Two Park Avenue, New York 16, N. Y. Replies will be forwarded.

SITUATIONS WANTED

CONTROLLER

Intensive public and private accounting experience, including eight years as controller of medium-sized manufacturer. Clear, logical approach to business problems. Practical knowledge of taxes, government contracts. Strong on systems, internal control. CPA, 46, excellent health. Box 2211.

ACCOUNTANT

CPA; MBA. Twelve years diversified experience private and public accounting. Past five years public, mainly servicing medium-sized manufacturing clients. Seeks responsible position private industry, metropolitan New York area. Box 2212.

MISCELLANEOUS

ELECTRONICS

Learn how to program business problems such as payroll, accounts receivable, and inventory control for electronic computers. Send for free information describing our Home Study Course—"Programming for Business Computers." Business Electronics Inc. Educational Department, Box 3330 Rincon Annex, San Francisco 19, California.

NOTE: THE CONTROLLER *reserves the right to accept, reject or censor classified copy and takes no responsibility for the people contacted through this column nor does it guarantee any item bought or sold.*

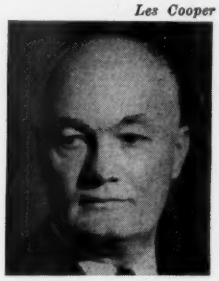
Obituary

ELMER O. BISCHOFF, assistant secretary, assistant treasurer and controller, Grede Foundries, Inc., Milwaukee, Wisconsin, died on January 27, 1956. He was 54.

Mr. Bischoff, who had been with Grede since 1945, held membership certificate #4440-1949 in Controllers Institute.

CHARLES A. HARRELSON, secretary-treasurer and a director of Plough, Inc., Memphis, Tennessee, with which he had been associated since 1924, died on January 14, 1956 at the age of 53.

Les Cooper



C. A. HARRELSON

Mr. Harrelson, who held membership certificate #4656-1949 in Controllers Institute, served as president of the Memphis Control, 1950-51, and as a trustee of Controllership Foundation, research arm of Controllers Institute, 1952-55.

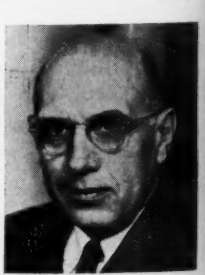
GEORGE L. PALMER, vice president and controller, Schemenauer Manufacturing Company, Holland, Ohio, died on February 10, 1956. He was 54.

GEORGE L. PALMER

Mr. Palmer, prior to joining Schemenauer in 1954 was vice president and treasurer of Willys Motors, Inc., Toledo, Ohio. He joined that company in 1920 as a cost and general accountant. From 1927-1941 he was assistant treasurer of Willys-Overland Pacific Co., Los Angeles, California.

Mr. Palmer served as president of the Toledo Control of Controllers Institute, 1954-55, following his terms as vice president and director. He held membership certificate #3878-1947 in Controllers Institute.

GEORGE W. TROOST, 53, financial vice president, a director and member of the finance committee of the Chrysler Corporation, Detroit, Michigan, died on January 24, 1956.



GEORGE W. TROOST

He joined Chrysler in 1935 as assistant controller; was named controller in 1947; vice president in 1949; and was elected to the Board in 1951. He held membership #2715-1943 in Controllers Institute of America.